The Canadian
FACT BOOK
on Poverty

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Canadian
Council
on Social
Development

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LIST OF FIGURES V

LIST OF TABLES VII

FOREWORD XI

ACKNOWLEDGEMENTS XIII

NOTE TO READERS XV

HIGHLIGHTS XIX

CHAPTER 1: INTRODUCTION 1

CHAPTER 2: WORKING DEFINITIONS OF POVERTY 13

CHAPTER 3: OVERVIEW OF TRENDS IN POVERTY AND INCOME INEQUALITY 45

CHAPTER 4: THE CHANGING FACE OF POVERTY 61

CHAPTER 5: THE WORKING POOR AND MARKET POVERTY 83

CHAPTER 6: THE DEPTH OF POVERTY 103

CHAPTER 7: THE DURATION AND SEVERITY OF POVERTY 115

CHAPTER 8: CANADA'S INCOME SECURITY SYSTEM: THE DISTRIBUTION OF BENEFITS 127

CHAPTER 9: POVERTY AND INCOME DISTRIBUTION IN CANADA AND ABROAD 139

CHAPTER 10: CONCLUSION 153

APPENDIX A: PROVINCES: SUMMARY OF POVERTY DATA, 1997 . . . 161

APPENDIX B: CITIES: SUMMARY OF POVERTY DATA, 1997 173

Percentage change in average market income and disposable income, all households, by after-tax income quintile, 1989-1998 xviii

FIGURE 2.1: Canadians' perception of poverty over time 31

FIGURE 3.1: Average market income, average total income and average disposable income among families, 1981-1989 54

FIGURE 3.2: Average market income, average total income and average disposable income among families, 1989-1997 55

FIGURE 4.1: Poverty rates among female lone parents, by selected age and educational characteristics, 1997 70

FIGURE 4.2: Composition of poverty for unattached individuals, by age, 1981, 1989 and 1997 74

FIGURE 5.1: Working-poor families as a percentage of all poor families, by province, 1997 87

FIGURE 5.2: Market poverty and total poverty among working-age families, 1981, 1989 and 1997 90

FIGURE 6.1: Composition of Canada's total poverty gap, 1997 107

FIGURE 6.2: Distribution of poor households by income, elderly and non-elderly households, 1981, 1989 and 1997 109

FIGURE 8.1: Distribution of market income, government transfers, taxes and disposable income by quintile, all households, 1997 129

FIGURE 9.1: Poverty rates before and after taxes and transfers, all individuals, selected countries, early 1990s 147

101-01088/

Poverty rates and total numbers in poverty, 1997, SCF and SLID estimates xvii

TABLE 2.1: Statistics Canada low income cut-off, 2000 17

TABLE 2.2: Statistics Canada, after-tax low income cut-off, 2000 18

TABLE 2.3: Statistics Canada low income measure, 2000 19

TABLE 2.4: Lines of income inequality developed by the Canadian Council on Social Development, 2000. . . 22

TABLE 2.5: Market basket measure lines, by province and size of area of residence, 2000 25

TABLE 2.6: Fraser Institute poverty lines, 2000 26

TABLE 2.7: Montreal Diet Dispensary, budget guidelines for basic needs, 2000 27

TABLE 2.8: Social Planning Council of Metropolitan Toronto, budget guidelines, 2000 29

TABLE 2.9: Cost of living developed by the Social Planning and Research Council of B.C., 2000. 30

TABLE 2.10: Annual incomes of households that receive social assistance, 2000 32

TABLE 2.11: Average and median incomes, Canada, 2000 33

TABLE 3.1: Poverty rates and total numbers in poverty, 1973, 1981, 1989 and 1997 47

TABLE 3.2: Incidence and percentage distribution of low income, 1997 51

TABLE 3.3: Average market income and average disposable income, 1981, 1989 and 1997 54

TABLE 3.4: Average market income by quintile, 1981, 1989 and 1997 56

TABLE 3.5: Average total income by quintile, 1981, 1989 and 1997 56

TABLE 3.6: Average disposable income by quintile, 1981, 1989 and 1997 56

TABLE 3.7: Market income share by quintile, 1981, 1989 and 1997 58

TABLE 3.8: Total income share by quintile, 1981, 1989 and 1997 58

TABLE 3.9: Disposable income share by quintile, 1981, 1989 and 1997 58

TABLE 3.10: Proportion falling between 75% and 125% of median disposable income, all households, 1981, 1989 and 1997 59

List of Tables

TABLE 4.1: Percentage distribution of low-income households, 1981, 1989 and 1997 62

TABLE 4.2: The causes of change in provincial poverty, 1989-1997 65

TABLE 4.3: Incidence of low income by selected characteristics, 1981, 1989 and 1997 66

TABLE 4.4: Comparison of poor and non-poor non-elderly lone-parent mothers, distribution by age, education and weeks employed, 1997 70

TABLE 4.5: Comparison of poor and non-poor non-elderly two-parent families, distribution by age, education and weeks employed, 1997 71

TABLE 4.6: Rate, number and distribution of poor children, 1981, 1989 and 1997 72

TABLE 4.7: Comparison of poor and non-poor unattached individuals under 65 years of age, distribution by age, education and weeks employed, 1997 74

TABLE 4.8: Poverty rate among Aboriginal and non-Aboriginal peoples, by province, 1995 75

TABLE 4.9: Poverty rate by disability status, by province, 1995 76

TABLE 4.10: Poverty rate by visible minority status, by province, 1995 77

TABLE 4.11: Poverty rates for selected cities, all individuals, 1995 78

TABLE 5.1: The working poor, 1981, 1989 and 1997 84

TABLE 5.2: Comparative distribution of Canada's working poor and non-poor non-elderly households, 1997 . . 86

TABLE 5.3: Distribution of working poor and non-poor couples with children, by selected characteristics, 1997 89

TABLE 5.4: Market poverty among working-age families, Canada, 1981, 1989 and 1997 90

TABLE 5.5: Incidence of market poverty among working-age families, by family type, age group and education, Canada, 1997 91

TABLE 5.6: Annual minimum-wage income by province, 1976 and 1998/99 93

TABLE 5.7: Annual minimum-wage income measured against low income cut-offs, by province, 1998 . . . 93

TABLE 5.8: A comparison of poor and non-poor non-elderly couples, by number of earners, 1981, 1989 and 1997 97

TABLE 5.9: Employment patterns of spouses in poor and non-poor non-elderly families, 1981, 1989 and 1997 99

TABLE 6.1: Total and average poverty gaps 104

TABLE 6.2: Average household poverty gap, 1989 and 1997 105

TABLE 6.3: Contributions to the poverty gap by selected characteristics, 1981, 1989 and 1997 106

TABLE 6.4: Distribution of poor households by income, 1981, 1989 and 1997 108

TABLE 6.5: Income gap between market income and the Statistics Canada low income cut-off lines, 1981, 1989 and 1997 110

TABLE 6.6: Canadian Council on Social Development poverty index for households by selected characteristics, 1989 and1997 112

TABLE 8.1: Quintile distribution of market income, government transfers and disposable income, all households, Canada, 1997 129
TABLE 8.2: Incomes before and after government transfers, all households, Canada, 1997 130
TABLE 8.3: Quintile distribution of specific transfer benefits, all households, 1997 131
TABLE 8.4: Quintile distribution of children's benefits among families with children under 18 years of age, 1997 133
TABLE 8.5: Quintile distribution of seniors' benefits among elderly families, 1997 135
TABLE 8.6: Quintile distribution of benefits among working-age households, 1997 136

TABLE 9.1: Poverty rates among all individuals, by selected countries 143
TABLE 9.2: Poverty rates among children, selected countries, Luxembourg Income Study 144
TABLE 9.3: Poverty rates among households with children, by family type and employment status, mid-1990s 145
TABLE 9.4: Social distance comparisons, ratio of high to low income, Luxembourg Income Study 146
TABLE 9.5: Market vs disposable income poverty among individuals: The effect of government redistribution on poverty, early 1990s 148
TABLE 9.6: Total government social expenditures (% of GDP) 149

APPENDIX A:

TABLE A.1: Newfoundland 162
TABLE A.2: Prince Edward Island 163
TABLE A.3: Nova Scotia 164
TABLE A.4: New Brunswick 165
TABLE A.5: Quebec 166
TABLE A.6: Ontario 167
TABLE A.7: Manitoba 168
TABLE A.8: Saskatchewan 169
TABLE A.9: Alberta 170
TABLE A.10: British Columbia 171

APPENDIX B:

TABLE B.1: St. John's 174
TABLE B.2: Charlottetown 174
TABLE B.3: Halifax 175
TABLE B.4: Fredericton 175

List of Tables

TABLE B.5: St. John . . . 176
TABLE B.6: Quebec . . . 176
TABLE B.7: Montreal . . . 177
TABLE B.8: Ottawa . . . 177
TABLE B.9: Toronto . . . 178
TABLE B.10: Hamilton . . . 178
TABLE B.11: Windsor . . . 179
TABLE B.12: Thunder Bay . . . 179
TABLE B.13: Winnipeg . . . 180
TABLE B.14: Regina . . . 180
TABLE B.15: Saskatoon . . . 181
TABLE B.16: Calgary . . . 181
TABLE B.17: Edmonton . . . 182
TABLE B.18: Vancouver . . . 182
TABLE B.19: Victoria . . . 183

This edition of *The Canadian Fact Book on Poverty* continues a tradition that first began in 1975. Since that time, the Canadian Council on Social Development has published Fact Books in 1979, 1983, 1989, 1994 and now, updated to 2000. We do so to help Canadians gain a better understanding of one of our most persistent and serious social problems – poverty.

Each edition of the book has become more comprehensive and detailed in its coverage. This year, for the first time, we include poverty data from the 1996 Census on groups such as visible minorities, Aboriginal peoples and persons with disabilities. Also new in this edition is a chapter on the duration of poverty. This year's Fact Book also contains an expanded section on the working poor and market poverty, as well as a discussion of efforts to combine three dimensions of poverty – incidence, depth and duration – into one measure.

Based on the heavy sales of previous editions and the constant inquiries we receive from the media, academics, students, politicians, policy-makers and concerned citizens for solid information about poverty in Canada, we are certain that this expanded edition will help provide a better understanding of the quantifiable dimensions of poverty. We hope it will also contribute to the formulation of anti-poverty policies, because a good understanding of the problem is a necessary prerequisite for creative and effective action to eradicate it.

Hector Ouellet
President
CCSD Board of Directors

The authors have received much assistance in preparing this edition of *The Canadian Fact Book on Poverty*. The book relies heavily on assorted Statistics Canada microdata, and we are grateful for the unstinting and always friendly co-operation extended by officials at Statistics Canada. Chief among the people there who made our research possible are Michael Sheridan, former Director General of the Labour and Household Surveys Branch, and his staff.

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A month before publication of this Fact Book, Statistics Canada released income data for 1998 in a new publication, *Income in Canada*.[1] While we are not in a position to update the research in this book, we do want to summarize some of the findings for 1998 and to draw the reader's attention to Statistics Canada's new approach in reporting low income among Canadians.

As discussed at length in Chapter 2, Statistics Canada has been contemplating a shift in the presentation of low income data. Historically, the federal agency has published low income figures based on its Low Income Cut-offs (LICOs). A debate has ensued about whether the low income cut-offs highlighted in Statistics Canada publications should be based on pre-tax income, as has been the practice to date, or on after-tax income. With the publication of *Income in Canada*, Statistics Canada has decided to emphasize after-tax low income data in its publications and analyses. On average, poverty estimates derived using after-tax LICOs are roughly five percentage points less than estimates derived using pre-tax LICOs.

The CCSD has argued that the shift to after-tax LICOs as they are presently calculated is problematic for a number of reasons, the most important being that not all taxes are taken into account, such as payroll taxes and consumption taxes which bear most heavily upon the less affluent. Consequently, the proposed after-tax LICOs take account only of the progressive aspects of the overall tax system, and make no adjustment for the flat or regressive tax elements. That is one of the reasons that there is such a marked difference in poverty estimates based on these two ways of calculating the LICOs. The merits of this debate aside, the authors are concerned that Canadians should not compare a pre-tax LICO in 1997 to a post-tax LICO in 1998. Readers of this book should keep in mind that the traditional pre-tax LICO has been used for this analysis in order to track poverty and income over time in a uniform and credible way.

Statistics Canada has also discontinued its annual cross-sectional (that is, one point in time) income survey, the Survey of Consumer Finances (SCF), in favour of a new longitudinal survey, the Survey of Labour and Income Dynamics (SLID) which follows groups of people over time. From this point forward, historical data prior to 1996

will be drawn from the SCF, and data since 1996 will be taken from the SLID. While much of the content of these surveys overlaps, differences in sampling variability and response rates result in different population counts. Income estimates are remarkably similar, but again, there are differences: SLID shows more people with low incomes while SCF shows more people with no income.[2] That is why the estimates for 1997 based on the SCF that are presented in this book may differ slightly from those published by Statistics Canada in the future based on the SLID.

With these caveats in mind, income data for 1998 show that many Canadians have finally begun to recover from the effects of the 1990-91 recession. Family incomes improved significantly between 1997 and 1998. At $49,626, average after-tax family income rebounded to its highest level in a decade, surpassing average family income recorded in 1989, the peak of the last business cycle. Average after-tax incomes among unattached individuals also increased, to $21,067. (All figures are expressed in 1998 dollars.)

Earnings have been the principal source of these income gains. Improving levels of employment, particularly among full-time workers, coupled with wage growth have led to higher earnings. In 1998, average market income reached $55,224 among families and $20,758 among unattached individuals. Non-elderly families, including families with children, registered a sizeable gain in their incomes between 1997 and 1998, but lone-parent families still fell short of their market income level of 1989. The market and after-tax incomes among elderly families and individuals remained essentially unchanged.

At the same time, government transfers declined slightly after adjustments for inflation. Transfers contributed 12.6 per cent of total household income in 1998, down from the previous year (13.1 per cent). Transfers have declined every year since their recessionary peak in 1994 (14.1 per cent), most notably among working-age households. This decline is the result of improved labour market conditions and significant cuts to income transfer programs – notably social assistance and employment insurance. In contrast, average income taxes increased slightly between 1997 and 1998 as a result of improved market incomes, from 19.4 to 19.8 per cent of total household income.

Higher average incomes in 1998 have led to a drop in the proportion of Canadians living on incomes below Statistics Canada's low income cut-offs. Using the *pre-tax* low income cut-offs, as we do in this book, the poverty rate among all Canadians fell from 18.2 per cent in 1997 to 16.9 per cent in 1998. An estimated 5.1 million people lived in poverty in 1998. Of this number, 1.3 million were children, representing a child poverty rate of 18.8 per cent. (Please note that the data for 1997 presented in this book are based on the 1997 Survey of Consumer Finances. The income

POVERTY RATES AND TOTAL NUMBERS IN POVERTY, 1997 SCF AND SLID ESTIMATES

	SCF		SLID	
	Number (thousands)	Rate (%)	Number (thousands)	Rate (%)
Families	1,175	14.0%	1,182	14.3%
Unattached Individuals	1,633	39.6%	1,696	41.2%
All Households	2,808	22.4%	2,878	23.3%
65 +	609	24.8%	639	28.1%
< 65 years	2,199	21.8%	2,236	22.2%
Total Persons	5,222	17.5%	5,415	18.2%

Note: Poverty estimates are derived using the pre-tax LICOs, 1992 base.
Numbers may not sum due to rounding.
Source: Tabulations by the authors based on Statistics Canada's Survey of Labour and Income Dynamics, Income in Canada, 1998 (Ottawa: 2000), Catalogue No. 75-202-XPE, p. 218.

data presented in Statistic Canada's *Income in Canada* for 1996, 1997 and 1998 are based on the Survey of Labour and Income Dynamics.)

Looking at the poverty rate among households, rates have dropped among families (from 14.3 to 13.0 per cent), and among unattached individuals (from 41.2 to 39.4 per cent). In both cases, 1998 poverty rates remained above those recorded in 1989. As well, while fewer people were living in low-income households in 1998, their poverty gap actually grew compared to both 1997 and 1989. For families, the average gap between their incomes and the low income cut-off was $8,219; for unattached individuals, the average poverty gap was $6,154.

This widening poverty gap points to a very disturbing trend in the 1998 income data. While average incomes have turned a corner, Canadians at the bottom and even those at the middle of the income ladder are not sharing in this new-found prosperity. While all households saw an increase in their after-tax incomes between 1997 and 1998, those in the top 20 per cent or quintile gained $3,404 or 4.1 per cent, compared to a gain of just $63 or 0.6 per cent for those in the bottom quintile and $692 or 2.1 per cent for those in the middle quintile. (Income quintiles are discussed in Chapter 3. These data are based on after-tax income quintiles.)

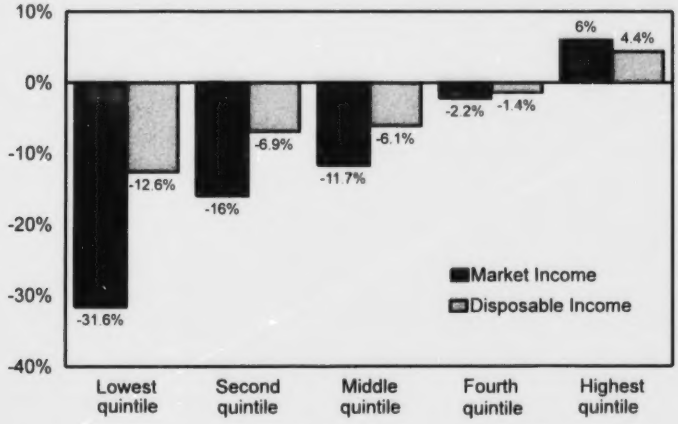
The gap in incomes between Canadians has been growing throughout the 1990s, and notably so since 1994. Market incomes in particular have become more polarized. In 1989, the top 20 per cent of households received 46.3 per cent of market income; by 1998, their share had grown to 50.1 per cent. In contrast, the income shares of households in the lowest, second and middle quintiles fell over this period: by 0.8, 1.3 and 1.7 percentage points, respectively. Stated another way, households in the top quintile in 1989 received $18 in market income for every $1 earned by households in the lowest quintile. By 1998, this gap had widened to $27 for every $1.

The impact of transfers and taxes was important in offsetting the widening gap in market incomes during the first half of the 1990s. After 1994, however, the gap in

Note to Readers

after-tax incomes started to grow. The income share of households in the top quintile grew by 2.1 percentage points, while households in the lowest quintile saw their share fall by 0.7 points. The ratio of after-tax incomes widened from 7.2 to 1 in 1994, to 8.5 to 1 by 1998. So while the equalizing effects of the tax/transfer system on the highly unequal distribution of market income continues, since the mid-1990s, after-tax income inequality has been on the rise. Market-driven inequality is now overwhelming the counterweights of taxes and transfers.

Percentage Change in Average Market Income and Disposable Income, All Households, by After-tax Income Quintile, 1989-1998



Source: Statistics Canada, *Income in Canada 1998* (Ottawa: 2000), Catalogue No. 75-202-XIE.

These findings broadly corroborate the research presented in this edition of *The Canadian Fact Book on Poverty*. Clearly, much more remains to be done to address the growing income inequality in Canada and the serious consequences for all Canadians that flow from impoverishment.

Endnotes

1. Statistics Canada, *Income in Canada*, (Ottawa), Catalogue No. 75-202-XPE, annual.
2. Cathy Cotton, Kevin Bishop, Phil Giles, Peter Hewer and Yves Saint-Pierre. *A Comparison of the Results of the Survey of Labour and Income Dynamics (SLID) and the Survey of Consumer Finances (SCF) 1993-1997: Update* (Ottawa: Statistics Canada, 1999).

Poverty is an important social issue because it affects the development prospects of children and adults. How a society distributes its income is a fundamental determinant of social cohesion. People left on the fringes economically also tend to be on the fringes socially. The many debilitating effects of poverty on child development and adult well-being are well documented.

Measuring Poverty

→ *The choice of poverty lines ranges from those providing for bare physical subsistence (the "absolute" approach) to those providing full inclusion in society (the "relative" approach).* There are many working definitions of poverty, but no official version. All poverty lines are based on subjective factors and their usage depends on their credibility and public acceptability.

For over 30 years, the leading poverty line in Canada has been Statistics Canada's Low Income Cut-offs (LICOs). These cut-offs are by far the most popular with the public, analysts and organizations dealing with poverty and income distribution issues. The LICOs are not without legitimate criticisms, but the competitor lines have more flaws and less acceptability. The LICOs have also been repeatedly supported over time by public opinion surveys and empirical research showing that the most serious negative impacts of low income start to abate when family income approaches the income levels that correspond with the low income cut-offs (Chapter 2).

Poverty has Risen

→ *Household poverty has increased in Canada over the past quarter-century.* The rate of household poverty, as measured by Statistics Canada's LICO, was higher in 1997 (22.4 per cent) than it was in 1989, 1981 and 1973. This translates into an increase of 1.3 million poor households since 1973 (Table 3.1).

→ *Average household incomes, before and after income transfers and taxes, have not recovered from the recession of the early 1990s.* Average household

incomes in 1997 were lower than in 1981 (Table 3.3). Moreover, the distribution of income has become more polarized between low- and high-income households. As well, middle-income groups have experienced a declining share of market and disposable income (Table 3.10).

Seniors' Poverty Rates have Declined

→ *While too many of Canada's senior citizens are still poor, their poverty rate continued to decline between 1981 and 1997* (Table 3.1). The poverty rate among elderly households dropped by 7.2 percentage points between 1981 and 1989 and another 1.8 percentage points between 1989 and 1997. In contrast, the poverty rate among working-age households increased by 6.3 percentage points over this time period.

Although the authors applaud the reduction in the rate of poverty among elderly households, *two cautions must be raised*:

→ Despite gains, the rate of poverty among unattached elderly individuals remains high, at 45.0 per cent in 1997 (Table 3.2). As well, the poverty rate among elderly households has a pronounced gender bias. In 1997, 49.1 per cent of unattached elderly females were living in poverty compared to 33.3 per cent of elderly males.

→ Many elderly households have only been barely lifted above the poverty lines through a combination of federal elderly benefits. Thus, it should not be inferred from the improved poverty figures that the elderly are comfortably off. In fact, a large segment of the non-poor are nearly poor.

Young Families are More Likely to be Poor

→ *Poverty has been increasing dramatically among young families.* In 1981, a young family (in which the oldest adult is under age 25) faced a 21.7 per cent chance of being poor; by 1997, this chance had almost doubled to 46.1 per cent. Poverty rates among young families in the next oldest age group are higher as well: among those aged 25 to 34 years, the rate of poverty increased from 12.0 per cent in 1981 to 18.9 per cent in 1997 (Table 4.3).

The Regional and Provincial Distribution of Poverty has Shifted

→ *In 1981, 12.3 per cent of all poor Canadian families lived in the Atlantic provinces, but this share dropped to 8.8 per cent in 1997* (Table 4.1). In

Alberta and British Columbia, during the same period, the share of all poor families increased from 14.8 per cent to 20.9 per cent. Much of this change occurred in the 1980s. In the 1990s, the share of poor families rose the most in Ontario: increasing by 7.2 percentage points.

→ *With the exception of Alberta and British Columbia, the poverty rate among provinces was stable or declined between 1981 and 1989.* In the 1990s, however, this trend was reversed and many provinces experienced an increase in their rates of poverty. In 1989, for example, Ontario had the lowest rate of family poverty by a substantial margin at 8.2 per cent. By 1997, the rate had climbed to 12.6 per cent, an increase of over 50 per cent (Table 4.3).

The Vulnerability of Children and Lone-parent Mothers has Increased

→ *Poverty strikes hardest at children, the most vulnerable members of society and the least able to defend themselves.* The child poverty rate increased from 14.9 per cent in 1981 to 19.9 per cent in 1997 (Table 4.6). In 1997, there were 1.4 million poor children in Canada. Although over half (54.6 per cent) of all poor children live in two-parent families, the trend is toward more poor children living in lone-parent households. In 1981, 32.8 per cent of all poor children lived in lone-parent families; by 1997, this figure had risen to 43.2 per cent.

→ *The exceptional circumstances of lone-parent mothers must be underlined.* Among these families, the rate of poverty was 53.5 per cent in 1981. Over the next decade and a half, the poverty rate hovered between 55 and 60 per cent, reflecting the ups and downs of the business cycle. In 1997, it was 56.0 per cent, while the share of all poor households composed of lone-parent mothers had increased to 28.4 per cent, up from 22.5 per cent in 1981 (Table 4.1).

Minority Groups Face Higher Poverty Rates

→ *Some of the highest rates of poverty are found among Aboriginal peoples, members of visible minority groups and persons with disabilities.* According to the 1996 Census, 43.4 per cent of Aboriginal people, 35.9 per cent of visible minorities and 30.8 per cent of persons with disabilities were poor in 1995. These rates were significantly higher than the national average (Tables 4.8, 4.9 and 4.10).

The Market has Failed to Generate Adequate Incomes

→ *Increased poverty rates for working-age households reflect in large part the failure of market income to provide living wages to all Canadian households.*

The number of working-poor households, those where one or more income earners were employed for at least 49 weeks, increased substantially between 1981 and 1997 (Table 5.1).

→ *If market earnings only are considered, almost 1.6 million Canadian working-age families would have been poor in 1997, compared to 1.1 million poor families after government transfers have been taken into account.* The rate of market poverty increased from 14.7 per cent in 1981 to 21.9 per cent in 1997 (Table 5.4).

→ *Higher rates of market poverty highlight the inferior performance of earnings.* Families have responded by sending more earners into the labour market. Among working-age households, the number of earners increasingly distinguishes poor from non-poor households. In 1997, only 18.6 per cent of poor two-adult households contained two earners compared to 67.0 per cent of non-poor two-adult households (Table 5.8).

The incomes of female spouses continue to play a key role in sustaining families. In 1997, women in non-poor families were almost five times more likely to have worked full-time/full-year than their poor counterparts (47.2 per cent compared to 9.9 per cent). But it is not only women's employment that sets non-poor apart from poor (Table 5.9).

Increasingly, the employment activity of men distinguishes poor couples from non-poor couples. Among poor couples, only 29.1 per cent of men were employed full-time/full-year compared to 77.5 per cent of non-poor male partners (Table 5.9).

Education is Still Key to Escaping Poverty

→ *Along with number of earners, level of education is an important factor distinguishing poor from non-poor households.* The higher the level of education, the lower the likelihood of having a low income. This was as true in 1981 as it is today. In 1997, only 7.7 per cent of families with an adult university graduate were poor, compared to 20.5 per cent of those families in which the highest level of an adult member's education was less than nine years of schooling (Table 4.3). It should be noted, however, that over time the proportion of poor having higher educational credentials has increased: the share of poor families having a post-secondary certificate, diploma or degree has more than doubled from 13.5 per cent in 1981 to 32.6 per cent in 1997 (Table 4.1).

Poor Falling Further Below the LICO

→ *The depth of poverty – how far below the poverty line a poor person's total income falls – has increased dramatically.* Between 1981 and 1997, the

poverty gap for all poor households almost doubled (86.4 per cent). If only market income is considered, the market poverty gap grew by 96.0 per cent over the same period, an increase of $27.3 billion (Table 6.1 and Table 6.5).

→ *Working-age households, in particular, have experienced the greatest economic difficulties.* Their market poverty gap grew by 113.0 per cent and the total poverty gap (market and transfer income combined) grew by 106.1 per cent. The largest increases occurred in the period between 1989 and 1997. If government transfers had not increased between 1981 and 1997, the poverty gap would have been much larger.

Duration of Poverty Varies for Different Groups

→ *The percentage of poor people who enter poverty one year, but escape the next, varies.* For roughly 60 per cent, poverty proves to be a temporary situation, while it is a recurrent problem for the remaining 40 per cent. On average, a poor individual will spend approximately five years in poverty after counting both single and multiple spells, while five per cent will stay in poverty for 10 or more years (Chapter 7).

→ *Certain groups are more vulnerable to lengthy spells of poverty.* These groups include lone parents, persons with disabilities, members of visible minority groups, recent immigrants, individuals with low levels of education, and unattached individuals. The longer one remains in poverty, the more difficult it is to escape (Chapter 7).

Government Transfers Grow in Importance

→ *Government transfers have come to play an increasingly important role in sustaining low-income households.* The failure of labour markets to provide employment opportunities and living wages to a large number of people has highlighted the importance of Canada's income security system. Households in the bottom two quintiles – with market incomes under $23,473 – received only 7.9 per cent of market income but 64.9 per cent of all transfer income in 1997 (Table 8.1).

→ *Reliance on government transfers has increased over time.* In 1981, transfers made up 38.2 per cent of total income for households in the lowest income quintiles; by 1997, transfers made up 90.0 per cent of total income for these households (Table 8.2).

→ *The benefits of various income security programs are distributed differently among different population groups.* The highly targeted Child Tax Benefit program delivered 64.9 per cent of benefits to the bottom 40 per cent of families with dependent children in 1997 (Table 8.4). The benefit package for

seniors had a more modest redistributive effect: 46.6 per cent of benefits of OAS/GIS/SpA went to the bottom 40 per cent of senior households in 1997 (Table 8.5).

→ *Contributory social insurance programs tend to benefit middle-income households.* The Canada and Quebec Pension Plans deliver 31.2 per cent of benefits to the poorest 40 per cent of seniors, reflecting the unequal earnings' history of retirees. The Employment Insurance program is the most neutral in its effect on the income distribution of working-age households; each quintile received a roughly equivalent share of program benefits (Table 8.6).

Canada's Anti-poverty Performance Remains Weak

→ *Rates of poverty in Canada are high in comparison to many other advanced industrial countries despite a reduction in the overall rate of poverty over time.* Canada's overall rate of poverty – the proportion of the population living on disposable incomes amounting to 50 per cent or less of median income – has declined from 12.5 in the late 1970s to 10.6 per cent in the mid-1990s (Table 9.1). In large part, the decline in the overall poverty rate is related to the improved economic situation of seniors.

→ *High levels of poverty among children and the working-age population kept poverty rates from declining further.* In the mid-1990s, using a standard international measure, 13.9 per cent of children were impoverished in Canada. Children in the United States were much more likely to live in poverty compared to children in other countries (22.7 per cent), while Swedish children were much less likely to do so (2.7 per cent) (Table 9.2).

→ *Among working-age households with children in 12 industrialized countries, Canada's rate of poverty ranks very high in several categories.* For example: Canada's poverty rate for these households ranks second highest among two-parent households with no wage earner present; third highest among lone-parent families; and fourth highest among two-parent households where there are one or two wage earners (Table 9.3).

→ *Income transfers and tax policy have an important impact on a country's poverty rate.* In all countries, taxes and transfers reduce the rate of poverty based on market incomes alone. Among industrialized countries, Canadian income supports for seniors – as well as those in Sweden, the Netherlands, Norway and Italy – produce a notable reduction in poverty (Table 9.5).

In contrast, English-speaking countries including Canada provide comparatively little support to children and working-age adults as measured by reduction in poverty rates. Countries with high rates of market-based poverty like Canada tend to have lower rates of poverty reduction.

Chapter

The Canadian Fact Book on Poverty 2000

When most Canadians think of poverty, the image is of sickly children on the edge of starvation. In highly industrialized societies, however, this scene is not typical. What prevails instead is deprivation and need. In Canada, people suffer deeply not because the necessities of life barely exist for the population at large – the state of affairs in many Third World countries – but because an unequal distribution of income blocks access to Canada's abundance. Poverty in this country is a matter not of starving but rather of begging for food at food banks and shelters, and of being shunted from one substandard shelter arrangement to another. For an increasing number of people, it even means living on the street and panhandling. This dreary picture is the result of an unequal distribution of riches rather than a lack of riches.

Poverty of the type typically found in industrial countries is a serious matter, and pockets of Third World poverty do exist in Canada, in some of our inner cities and on the reserves of Aboriginal peoples. There is no shortage of statistics documenting a link between poverty in Canada and various debilitating behaviours and conditions. For the sake of the many sceptics, let it be stressed that the authors do not claim that lack of income itself causes these human conditions – one cannot demonstrate causation with statistics – but only that these conditions are strongly associated with low income. The question of causation is left to the reader's own judgement.

The statistics are especially striking for children – a segment of the population that is unequipped to overcome poverty by any efforts of its own. Income levels and the well-being of Canadian children are undeniably linked, as a pioneering study by the Canadian Council on Social Development (CCSD)[1] has documented. Some of these links are:

- Poor children (family income less than $20,000) are 1.3 times more likely to be growing up in substandard housing as are children from middle-income families (family income $45,000), and 2.4 times as likely as are children from high-income families (income above $80,000).
- Poor children are 1.9 times more likely to be living in neighbourhoods with lots of problems such as fighting, drug dealing and vandalism, than are children in middle-income families, and 2.4 times more likely than are children in high-income families.

- Poor children are 1.4 times more likely to engage in aggressive behaviour than are children in middle-income families or higher-income families.
- Poor children are 1.5 and 1.7 times as likely to be hyperactive than are children from middle- and high-income families, respectively.
- Poor children are more likely to exhibit delinquent behaviours compared to middle- and high-income families: 1.8 and 2.6 times respectively.
- Serious health problems that affect a child's functioning such as vision, hearing, speech, mobility and cognition are 1.7 and 2.6 times more likely to be found in poor children than in children from middle- and high-income families, respectively.
- Four- and five-year-old children from poor families are 2.2 and 4.5 times more likely to exhibit delayed development on vocabulary tests than are the children from middle- and high-income families. In fact, over one-third (36 per cent) of poor children are judged to have delayed language development.
- Children from poor families are 1.8 times as likely to be registered in special education classes than are children from middle- and high-income families. Children enrolled in special education classes are at higher risk for falling behind in school and dropping out before high school completion.
- Poor children are 1.3 times less likely to participate in organized sports than are children from middle-income families and 2.8 times less likely than are children from high-income families. Almost three-quarters (72 per cent) of poor children do not participate compared to only one-quarter of children from high-income families.
- Older teens aged 16 to 19 years are normally expected to be either in school or in a job. However, poor children are 2.5 and 4.4 times more likely to be engaged in neither activity (in a sense, they are "idle") compared to teens from middle- and higher-income families.

This partial catalogue of misfortune makes clear that children who grow up in low-income families stand out in a variety of ways from their better-off peers. They are less healthy, have less access to skill-building activities, have more destructive habits and behaviours, live more stressful lives, and are subject to more humiliation. In short, they have less stable and less secure existences, and as a result are less likely to be secure as adults.

In a day and age when education, emotional maturity, leadership, and social and communication skills are prized as essential for prospering in an increasingly knowledge-based society, it is not promising that so many Canadian children are starting off with such disadvantage. The days of just making sure that children had

enough to eat and a roof over their heads in order to produce strong arms and backs is long gone. The skills and attributes valued today require more than a start in life at a minimum subsistence level. In fact, the CCSD study (from which the above findings are taken) shows that after studying 27 living conditions and outcomes, the likelihood of a poor outcome dramatically diminishes up to a family income level of $30,000 in 80 per cent of the cases. Further, in 50 per cent of the cases, risk rapidly diminishes up to the $40,000 family income level. If a high level of child well-being is an important objective of a society, these are the income levels that need to be discussed in terms of setting a floor on income inequality in Canada.

The cataloguing of misfortune is not restricted to children. Adults with low incomes also suffer debilitating conditions according to a Statistics Canada study[2]:

- Adults in low-income households (less than $30,000 income) are 4.6 times more likely to report being in poor or only fair health compared to high-income adults (over $60,000), and 2.2 times more likely than middle-income adults ($30,000 to $60,000). In fact, one-fifth of poor adults report being in poor or only fair health.
- Serious health problems that affect an adult's functioning such as vision, hearing, speech, mobility and cognition are 1.3 and 2.0 times more likely to be found in poor adults than in middle- and high-income adults respectively. Two-fifths of low-income adults have these health problems.
- Suffering from chronic health conditions such as asthma, high blood pressure, stomach ulcers and the effects of stroke is more prevalent in low-income adults. Whereas 55 per cent of low-income adults had two or more of these conditions, this was true for only 32 per cent of middle-income adults and 13 per cent of those with high incomes.
- The mental state of adults who responded to the Statistics Canada survey has been summed up in a mental health distress index. The results show that low-income adults are 2.4 times more likely to have a high distress score than are high-income adults, and 1.8 times more likely than are middle-income adults.
- Low-income adults are 1.3 times more likely to express low self-esteem compared to high-income adults. Esteem relates to whether a person feels they have a number of good qualities, are worth as much as others, have a positive attitude towards self, and whether they believe they are failures or not.

These results for adults cannot confirm that the debilitating conditions in each case are caused by low income. In some cases, it may be that the conditions are the cause of low incomes. However, this brief portrait does confirm that low income is associated with a disproportionate number of special problems. Thus, to integrate these people into society requires a special effort. To facilitate a permanent escape

from poverty, such an effort must include special services to assist people in overcoming or adapting to some of the problems as well as income transfers to address their current poverty.

While noting the links between income and many child and adult outcomes, it would be gratifying to report that the inequality between rich and poor is narrowing and as a consequence, some of the riskier outcomes are being ameliorated. Unfortunately, the opposite is true – inequality is widening. For example, between 1973 and 1997, the share of total earnings in Canada going to the bottom 20 per cent of families with children fell steeply from a paltry 5.3 per cent to 2.6 per cent, which represents several billion dollars in total. In contrast, the share of earnings going to the top 20 per cent increased from an already generous 38.4 per cent to 42.8 per cent. This is income redistribution in reverse. Fortunately, after government transfers and income taxes, the picture improves: the bottom 20 per cent received 7.7 per cent of all income in 1973, but even this small amount had deteriorated to 7.0 per cent in 1997, while the top 20 per cent increased their share from 35.5 per cent to 37.2 per cent. So, over time, both labour market earnings and government assistance have let down the poor.

A Day in a Life of Poverty

Aside from the negative links between low income and child well-being, what does it mean in real-life terms to be raised in poverty in a well-off industrialized country such as Canada? Although some individuals raised in poor families turn out to be happy and successful adults, such exceptions do not disprove the rule. Most poor Canadian individuals or families suffer the effects of continual deprivation: a relentless feeling of being boxed in; a feeling that life is dictated by the requirements simply of surviving each day. In this way of life there is no choice, there is no flexibility, and if something unexpected happens – such as sickness, accident, family death, fire or theft, rent increase – there is no buffer to deal with the emergency. Life is just today, because tomorrow offers no hope.

Perhaps the easiest way to comprehend what a day in a life of poverty is like is to describe a family's left-over income after it pays for basic shelter, food and clothing. How much money does a typical poor family consisting of two adults and two children, and living in a large urban area, have at its disposal? In 1997, while the traditional Statistics Canada low income cut-off line (see Chapter 2) for such a family was set at $28,100, the average two-parent family with two children was in fact below this line by an amount equal to $10,050, leaving it with $18,050 annually on which to live.

Compare this to the family's basic expenditures on shelter, food and clothing. Using the Canadian Mortgage and Housing Corporation (CMHC) survey of shelter costs across the country, the median rent for a three-bedroom apartment amounted to $8,495 per year (weekly equivalent of $40.84 per person). To adhere to Agriculture Canada's Nutritious Food Basket as a guide to basic food costs, the family required $6,885 (weekly equivalent of $33.10 per person). Using the Montreal Diet Dispensary guidelines for basic living, estimated clothing costs totalled $2,208 (weekly equivalent of $10.61 per person). This amounts to $17,588 per year for the typical poor four-member family. Deducting this from its gross income of $18,050 leaves a surplus of only $462 for the year, or $2.22 per person per week.

This $2.22 per week must be used to meet all other needs such as personal care, household needs, furniture, telephone, transportation, school supplies, health care and so on. There is no money for entertainment, recreation, reading material, insurance, and charitable or religious donations.

It is easy to understand why poor families:

- ➔ cut into their budget for essentials;
- ➔ rent substandard housing;
- ➔ move often in attempts to save rent;
- ➔ purchase poor-quality food that lacks freshness or variety;
- ➔ supplement their food budget with trips to food banks;
- ➔ own a minimum selection of mainly used clothing.[3]

Defining and Measuring Poverty

There are two basic approaches to defining and measuring poverty in Canada. When taken to their respective extremes, they establish the possible income bounds of poverty. Numerous intermediate measures fall between these extremes.

- ➔ ***Absolute measure***: The first approach is based on the belief that one can determine an *absolute* measure of poverty by examining an essential basket of goods and services deemed necessary for physical survival. The cost of this basket represents an objective dollar measure of poverty. The strictest application of this approach results in a standard of living sufficient only to keep the human body together. This purely physical approach stipulates a budget whose components are food provided by a charitable group or food bank, shelter

provided by a community hostel, second-hand clothing, and access to basic remedial health care. The poverty line implied by such a budget would be very low; an annual income in the order of $2,000 per person would probably cover it.

The consequence of the absolute approach, if rigorously applied, is an utter absence of choice and flexibility in how one lives. The shape of one's life is determined rigidly by the requirements of a fixed and rock-bottom physical existence.

→ ***Relative approach***: At the other definitional extreme is the *relative* approach, which is based on the belief that any definition of poverty must take into account social and psychological as well as physical well-being. The relative approach is based on social inclusion and equity, that is, on some notion of the extent to which society should tolerate inequality in the distribution of income. It argues that someone who has so little that he or she stands out in relation to the surrounding community will feel marginalized. Marginalized people, whether children or adults, affect the social cohesion of a community because they no longer feel part of what they see as an indifferent or hostile society.

In the rich countries of the industrialized world, the income level associated with a relative definition of poverty will be many times the level required to assure physical survival. In fact, an argument frequently voiced against relative definitions of poverty is that a typical poor family in Canada would be wealthy if the family lived in the Third World. But poor Canadians do not live in the Third World; they live in communities that have First World living costs and in which wealth surrounds them daily. Hence the justification for a relative measure.

Not surprisingly, there is no consensus on the question of which basic approach should be adopted. Most approaches compromise between the two, that is, they attempt to define a basket of goods and services that assures a minimum standard of living which is acceptable in social as well as purely physical terms. The difference in these approaches is their judgement of what constitutes a minimum that respects the need to function with dignity in society. The difference between the lower guidelines based on absolute or physical definitions of poverty, and the higher ones based on relative or social definitions, is considerable.

To a great extent, the enduring debate about the proper definition of poverty is academic. Although poverty standards have been loosely used as a guide to the level of payments under the federal government's elderly benefit programs, and to determine eligibility for school lunch programs and the like, they have not been used to set the level of the income safety net. As outlined in later chapters, the income of poor households falls well below the recommended incomes of the most widely accepted definitions of poverty. For example, the income of the average Canadian

poor family in 1997 was $8,559 below the widely recognized low-income line established by Statistics Canada (and $8,942 below in the case of a lone-parent mother). It is accurate to conclude, therefore, that basic assistance to Canada's poor population is guided mainly by the absolute approach to the definition of poverty. The growth and persistence of food banks and the homeless underscore this conclusion.

Common Misconceptions About Poverty

There are at least two common misconceptions about poverty. The first is that if a relative poverty line is used to measure the number of poor, for example, one-half of average income, then poverty can never be eliminated because the line keeps moving up with economic progress. Poverty, therefore, will always be with us. The second misconception is that the number of poor is overstated because many are young students who are only temporarily poor; or they are people who may have low incomes but own their own homes (this is often thought of the elderly); or they are people who may have low incomes but receive subsidized shelter or child care, and hence are not as poor as their incomes indicate. These common beliefs need to be examined more closely.

WILL THE POOR ALWAYS BE WITH US?

Many people believe that, unlike a fixed dollar target provided by an absolute poverty measure, a moving relative target makes it impossible to reduce and eliminate poverty. These people say that as the incomes of the poor are improved, the income average also moves up, and with it the poverty line. It is an unending upward income spiral in which poverty becomes statistically impossible to reduce or eliminate.

This misconception can be unravelled by considering the means selected to reduce poverty. If poverty is to be reduced only through increasing general economic prosperity and income growth, whereby nobody changes their relative income position, then the poor will indeed always be with us. To explain: imagine a society of 100 people ranged on an income ladder according to their levels of income. The person with the highest income is on the first rung at the top and the person with the lowest income is on the 100th at the bottom. If everyone's income increases equally because of general economic growth, then the ladder shifts up, but people will stay on the same rungs. Thus, those on the bottom rungs will always be poor; they will never rise above the 75th rung (assuming this rung represents a poverty line defined as one-half of average income).

However, if redistribution of income (through direct income transfers or jobs) is the major means for resolving poverty, then it is quite possible to move all people above the level of income formerly marked by the 75th rung. In this case, shifting income

from the top to lower rungs of the ladder does not increase the target average income, it just rearranges the same total amount. This, of course, is what the relative approach is all about: reducing income inequality. For anyone still doubting this explanation, it may be helpful to take a pen and paper and try a few simple arithmetic examples.

In summary, the poor will always be with us using a relative measure *only if* we rely on income growth and not on income redistribution as a solution. When people state that poverty cannot be eliminated using a relative measure, they are simply rejecting income redistribution as a means.

ARE THE POOR NOT REALLY POOR?

An oft-heard complaint is that even if relative poverty lines are accepted, most of the poor are not really poor. The argument takes different courses but usually consists of the same main elements:

- ➔ Many of the poor are young students who are just temporarily poor and are probably receiving undeclared parental support. The common argument is that young students who face higher-income futures are not "deserving" poor.
- ➔ Many of the poor (especially the elderly) own their own homes and, therefore, possess a hidden form of wealth.
- ➔ Many of the poor receive public subsidies, the main one of which is a shelter subsidy, and the value of this is not included in poverty line calculations.

As demonstrated below, reliable data indicate that these arguments are misconceptions.

STUDENTS

The argument deals with students living away from home, because students living at home are not counted as poor individuals in their own right unless the whole family is poor. In 1997, of all poor unattached individuals (the Statistics Canada term for people who are neither married nor living with blood relatives), only 14.4 per cent (or 235,000) were students. In other words, of all poor people in Canada (those living in families as well as those living unattached), only 4.5 per cent were students. Even if all these students were removed from the poverty statistics, Canada's overall poverty rate would drop by only 0.8 of a percentage point. Admittedly, this is not a totally insignificant reduction, but it hardly justifies the argument that temporarily low-income students inflate the true numbers of poor people all out of proportion. Moreover, it is questionable if all these students could justifiably be removed from the poor rolls. Not all of them are young and, thus, not all can be considered to be

receiving parental support. In fact, 43 per cent of all full-time students living unattached in 1997 were over the age of 25. Undoubtedly, a number of these would have been true hardship cases; whether or not they might eventually earn higher incomes, it is difficult to understand why they should not be considered legitimately poor and deserving of assistance.

HOME OWNERS

In 1996, only 18 per cent of poor households owned and lived in a dwelling free of mortgage, and most of these represented elderly households. Among poor households with heads under the age of 65, only 13 per cent owned homes outright.

How much is home ownership (illiquid wealth) worth if converted into a stream of income (liquid purchasing power)? According to the Canadian Real Estate Association, the average price for all houses sold in October 1999 was $172,500; because this figure only covers house sales in the 25 major Canadian markets, it probably overestimates the average value of a Canadian home. Nonetheless, if low-income Canadians sold their homes for the average figure of $172,500 and invested the proceeds in a safe fixed income investment, it would get a return of about 5 per cent annually. This amounts to $8,625 a year, or $718 a month, which is either not enough or barely enough to pay for rented quarters for an average-size family of three persons.

This wealth conversion and the extra income stream it generates may technically raise some families above the poverty line. However, it has not increased the family's standard of living. They are no further ahead. By converting their housing wealth into income and renting, low-income families have increased their incomes and expenses by about the same amount. If they had a poor standard of living before, they are still poor.

Individuals who believe that most of the poor are sitting on unconverted wealth must be assuming that these people are living in modern homes in well-off neighbourhoods in large cities. In truth, it is unlikely that many people with low incomes are living in such houses; there may be an anecdotal few, but not a significant number.

SHELTER SUBSIDIES

The available Statistics Canada data from the Survey of Consumer Finances show that, in 1996, only 19 per cent of all poor households combined (17 per cent of poor families and 20 per cent of poor unattached individuals) received some form of rental subsidy. Moreover, the amount of subsidization, even for the few who receive it, would have to be fairly large to raise the family above the poverty line,

keeping in mind that the average poor family had an income in 1997 that was $8,559 below Statistics Canada's low income cut-off line (LICO).

CONCLUSION ABOUT MISCONCEPTIONS

Do income surveys overestimate the numbers of poor? The evidence suggests that even if all students were excluded, the numbers of families and individuals in poverty would decline by only a small amount. True, a small proportion of poor people do receive rental subsidies, own their own home, and receive non-cash income that is not counted in income surveys, which in some cases would raise people over the income poverty line. However, the available evidence suggests that the extent of certain forms of non-cash income does not appear to be significant enough to change the estimates of the number of poor in Canada.

Instead of overestimating poverty, a case can be made that the annual surveys in fact *underestimate* poverty in Canada. There are several reasons for this:

- ➔ Aboriginal peoples living on reserves are not counted, but census and other data show that the rate of poverty among this population group is about double the average.
- ➔ The homeless are not counted.
- ➔ People with no permanent address or telephone are not counted, because the survey is a household survey conducted by telephone.
- ➔ Residents of the Yukon, Northwest Territories and Nunavut, a large proportion of which are poor Aboriginal peoples, are excluded.

Consequently, if all of these poor people were taken into account, Canada's recorded poverty rate would be higher.

A Cautionary Note

Before proceeding with the statistical analysis of poverty, a few definitional matters must be clarified.

First, poverty is discussed here in material terms. There are several dimensions and consequences of living in poverty, but in a materialistic society, the lack of an adequate income imposes extreme hardships.

Second, the term *poor* is used throughout this book to signify material deprivation, not to imply that someone is inadequate or performing their tasks poorly. For

example, a poor mother is not someone who is doing a poor job of raising her children, but rather someone who has insufficient income (according to some standard).

Third, discussion of Canada's poor in a collective sense does not imply that all poor people are members of a permanent, easily identifiable underclass with similar backgrounds, expectations and behaviours. Some of the people defined as poor by the income measures used in this book would probably resent the label, because some people are in a better position than others to cope with income shortfalls. Moreover, this shortfall may only be temporary. Annual estimates of Canadian poverty count those who are poor at the time the survey is conducted. The term "poor households" means only those households that are poor in the given year. The annual surveys do not show whether they were poor in the previous year or will be poor in subsequent years, although this information is now becoming available.

Endnotes

1. David Ross and Paul Roberts, *Income and Child Well-being: A New Perspective on the Poverty Debate* (Ottawa: Canadian Council on Social Development, 1999).
2. The following results are based on CCSD calculations using Statistics Canada's National Population Health Survey.
3. This dilemma is why Mel Hurtig's popular book on poverty in Canada was entitled *Pay the Rent or Feed the Kids: The Tragedy and Disgrace of Poverty in Canada* (Toronto: McClelland & Stewart, 1999).

Chapter 2

The Canadian Fact Book on Poverty 2000

Canada – like most countries, but unlike the United States – has no "official" definition of poverty.[1] Different agencies and organizations in Canada measure poverty in different ways, and this chapter describes several working definitions:

- Statistics Canada Low Income Cut-offs (LICO), calculated using both pre- and post-tax income;
- Statistics Canada Low Income Measure (LIM);
- Lines of income inequality developed by the Canadian Council on Social Development (CCSD);
- Market Basket Measure (MBM) under development by the federal, provincial and territorial governments;
- Fraser Institute poverty lines;
- Montreal Diet Dispensary guidelines;
- Social Planning Council of Metropolitan Toronto budget guides;
- The Cost of Living Guidelines developed by the Social Planning Council of B.C.

For a benchmark comparison with the above working definitions, this chapter also provides estimates of: average and median incomes; the basic income levels provided by provincial social assistance rates; and minimum income levels suggested by Gallup public opinion.

None of these definitions of poverty is exhaustive or precise. They are designed as working measures, and as such they are all founded on various simplifying assumptions. Given the immense complexity of the problem – the fact that what constitutes poverty varies from place to place, from decade to decade and even from household to household – it can be argued that the only alternative to an inadequate definition is no definition at all. Nevertheless, some working definitions are more inadequate than others. This chapter describes the various prevailing definitions of poverty, and then explores their shortcomings.

Because poverty is based on the deficit of income compared to essential expenditures, disagreements over how poverty should be defined can be reduced conceptually to two questions. First, how is income defined? Second, what are legitimate necessary expenditures – and necessary for what purpose? Of course, the answers to these questions depend on place, time, and household circumstances.

Measures of Poverty in Canada

The measures developed by Statistics Canada, the CCSD, the federal/provincial/territorial governments (Market Basket Measure) and the Fraser Institute can be considered *national* approaches. Even though the techniques and the values for the lines differ, and some use local living costs, the lines are devised to cover all parts of Canada and are thus capable of providing national poverty estimates. The remaining three measures and the benchmark comparisons have been devised to cover *specific localities or provinces*, but with some work could be applied to all of Canada.

STATISTICS CANADA LOW INCOME CUT-OFFS (LICOs)

Although Canada has no official measure of poverty, the Statistics Canada measure is probably the best known. Virtually all of the statistics used by other national measures of poverty in Canada come from Statistics Canada's annual survey of incomes.[2] Statistics Canada itself does not claim to measure poverty; rather, it defines a set of income cut-offs below which people may be said to live in *straitened circumstances*. Most social policy analysts, politicians and editorial writers treat the cut-offs as poverty lines. That is how they are treated here.

The modern recognition of the extent of poverty in Canada dates from the publication in 1968 of the Economic Council of Canada's *Fifth Annual Review*, which gave currency to a poverty-measuring approach that had been developed at Statistics Canada by Jenny Podoluk.[3] A Statistics Canada survey of family expenditures in 1959 determined that the average Canadian family spent about one-half its income on the three essentials: food, clothing and shelter. Statistics Canada concluded that a family that spent significantly more (i.e., 20 percentage points more) than half its income on essentials was living in straitened circumstances. As a result, it adopted 70 per cent of income as the cut-off point: families that spent more than 70 per cent of their income on essentials would have little or no income left to spend on other essentials such as transportation, health, personal care, education, household operation, recreation or insurance. Applying this measure to 1961 income data, the Economic Council reported in its 1968 *Review* that 27 per cent of the overall non-farm population and 25 per cent of families were living in poverty.

In a 1971 report, Statistics Canada applied the 70 per cent income standard to its surveys of 1965 and 1967 incomes.[4] The report concluded that, in 1965, 25 per cent of all Canadians and 21 per cent of families were poor. In 1967, the respective figures were 24 per cent and 18 per cent.

Since 1971, Statistics Canada has conducted its income survey annually. The agency began to conduct the family expenditure survey annually in 1997; this survey is used for updating the cut-offs. In previous years, the expenditure survey was carried out only every second or fourth year depending on the extent of its coverage. In calculating its low-income standard, Statistics Canada begins by estimating the percentage of gross income spent by the average Canadian family on food, clothing and shelter. It then somewhat arbitrarily marks this percentage up by 20 percentage points. This final percentage corresponds on average to a given household income level, and this level becomes the low income cut-off for that year.

The most recent estimate of the proportion of income spent on essentials is carried forward until a new expenditure survey reveals a different proportion. The 70 per cent standard based on the 1959 expenditure survey was reduced in subsequent years to:

- a 62 per cent standard based on the 1969 survey;
- a 58.5 per cent standard based on the 1978 survey;
- a 56.2 per cent standard based on the 1986 survey;
- the current 54.7 per cent based on the 1992 survey.[5]

Previously, in the years in which Statistics Canada did not undertake an expenditure survey, or if readjustment was not required in the proportion expended on essentials, it updated its low income cut-offs in accordance only with changes in the consumer price index.

Statistics Canada has always varied its cut-off levels with the number of family members, capped by seven or more. Since 1973, it has also distinguished among five different-sized urban and rural communities (a distinction that it has applied retroactively to its data for 1969 through 1972). The larger the community, the higher the low income cut-off for any family size. The accommodation of these two factors – family size and community size – results in 35 separate low income cut-offs.

Statistics Canada frequently updates its poverty lines based on changes in the proportion of average income devoted to essentials, which has fallen as the Canadian standard of living has increased. This implies a commitment to the view that poverty has a relative definition rather than an absolute one.

Survey of Consumer Finances

A few of the Statistics Canada practices should be clarified. In 1997, for example, the agency used a sample of 39,000 households to obtain its data. The results of the survey are intended to cover Canada's entire household population with the exception of residents of the Yukon and Northwest Territories (and by extension, Nunavut), Aboriginal Canadians living on reserves, and inmates of institutions. However, refugees, foreign students and people on work permits are included. The survey, which includes the income of all household members 15 years of age and older, has a very comprehensive measure of income. It includes wages and salaries (before deductions), net income from self-employment, investment income, government transfer payments (such as employment insurance, social assistance, old age pensions, refundable tax credits), training allowances and the like, private pensions, scholarships and alimony payments. The only exclusions from income are gambling gains, lump-sum inheritances, capital gains, loans, and income in kind (such as free meals and food produced on the farm for domestic use).

- The definition of *family* used by Statistics Canada in assessing poverty is the so-called economic family. It includes all occupants of a dwelling unit who are related by blood, marriage or adoption. It also includes couples living together in common-law relationships.[6]
- An *unattached individual* is a person who either lives alone or shares a dwelling unit, but is unrelated to the other occupants by blood, marriage, adoption or common-law relationship.[7]
- In this book, both families and unattached individuals are referred to as *households*.[8]

Table 2.1 presents estimates of the low income cut-offs for the year 2000. Statistics Canada's most recently published 1997 lines have been updated by adjusting for changes in the consumer price index.

TABLE 2.1
STATISTICS CANADA LOW INCOME CUT-OFF, 2000 1992 BASE

Size of household	Size of Area of Residence				
	500,000 +	100,000-499,999	30,000-99,999	< 30,000 urban	rural
1 person	$18,189	$15,600	$15,491	$14,414	$12,569
2 persons	$22,734	$19,500	$19,364	$18,017	$15,711
3 persons	$28,275	$24,252	$24,082	$22,408	$19,540
4 persons	$34,226	$29,356	$29,152	$27,127	$23,653
5 persons	$38,258	$32,815	$32,588	$30,323	$26,440
6 persons	$42,291	$36,275	$36,022	$33,517	$29,228
7 or more	$46,324	$39,735	$39,457	$36,713	$32,015

Note: The authors have estimated the year 2000 cut-offs by adjusting for changes in the consumer price index.
Source: Statistics Canada, *Income Distributions by Size in Canada, 1997*. Catalogue No. 13-207-XPB, 1999.

STATISTICS CANADA LOW INCOME CUT-OFFS ADJUSTED FOR INCOME TAXES

The expenditure and income surveys as well as the basic technique used for developing this adjusted measure are identical to the low income cut-offs described above, except that federal and provincial/territorial taxes are deducted from gross income *before* this version of a low income cut-off is derived.The lines are developed based on what the average family spends on food, clothing and shelter as a proportion of after-tax, not gross (before-tax) income. After-tax income accords a bit more closely with what many Canadians would consider to be their *take-home* income or disposable income, although obligatory payroll taxes such as Canada and Quebec Pension Plan and Employment Insurance premiums (which also reduce take-home pay) are ignored.

The 1992 family expenditure survey estimated that the average Canadian family expended 43.6 per cent of its after-tax income on food, clothing and shelter. When the 20 percentage point mark-up outlined earlier is applied, this means that any family spending more than 63.6 per cent of its after-tax income on these essentials is living in straitened circumstances. Raising the qualifying bar from 54.7 per cent (used for the pre-tax cut-off) to 63.6 per cent means a lowering of the income level used to qualify for low-income status. The use of this measure instead of the traditional before-tax measure reduces the measured rate of poverty for all persons in Canada by between four and five percentage points, depending on the year.[9]

Table 2.2 presents the low income cut-offs based on after-tax income. The most recent lines released by Statistics Canada are for 1997, and an estimate for the year 2000 has been made by adjusting for changes in the consumer price index.

TABLE 2.2
STATISTICS CANADA, AFTER-TAX LOW INCOME CUT-OFF, 2000 1992 BASE

Size of household	Size of Area of Residence				
	500,000 +	100,000-499,999	30,000-99,999	< 30,000 urban	rural
1 person	$15,020	$12,652	$12,457	$11,382	$9,848
2 persons	$18,327	$15,438	$15,198	$13,889	$12,016
3 persons	$23,179	$19,526	$19,224	$17,567	$15,197
4 persons	$28,870	$24,319	$23,942	$21,879	$18,928
5 persons	$32,268	$27,181	$26,760	$24,453	$21,157
6 persons	$35,666	$30,043	$29,578	$27,028	$23,384
7 or more	$39,062	$32,904	$32,394	$29,602	$25,614

Note: The authors have estimated the year 2000 cut-offs by adjusting for changes in the consumer price index.
Source: Statistics Canada, *Low Income After Tax*, 1997. Catalogue No. 13-592-XPB, 1999.

STATISTICS CANADA LOW INCOME MEASURE (LIM)

In 1989, Statistics Canada began a review of its method for defining low income by circulating a discussion paper[10] and holding meetings with a wide range of interested parties. The results of this review were presented in an appendix to the 1990 version of the annual survey results.[11] The review tentatively proposed to:

- adopt a purely relative approach to poverty based simply on one-half of median gross income;
- continue to adjust for family size but also for whether the household members are children or adults;
- discontinue adjusting for community size.

These alternative lines are called low income measures (LIMs). They are not included in the regular and main annual report on incomes in Canada, but rather are provided in a smaller separate report. In its summary report of this review process, Statistics Canada wrote that the traditional low income cut-offs "would continue for the time being as the main and preferred approach to the measurement of low income in Canada."[12] The agency would evaluate LIM as a replacement. As of early 2000, this situation regarding LIMs had not changed publicly.

Unlike the low income cut-offs, the LIM is not based on the proportion of income spent on food, clothing and shelter, but is based directly on income. The measure is based on one-half of median gross income, where median income is first adjusted for family size and composition. This adjustment is made to reflect the reality, for example, that a one-person household with an income of $60,000 is not equivalent in household purchasing power to a five-person household with the same $60,000 income. Fifty per cent of adjusted median income becomes the basic LIM for one person, and adjustments are made upwards according to the

size and composition of the household. Unlike LICOs, no adjustment is made for community size. There is also a set of LIMs based on median after-tax income, but these lines are not reproduced here.[13]

The methodology and rationale of LIMs are quite clear and simple. The basis of what constitutes low income is defined relative to the median income of Canadian households only, and Statistics Canada sets the threshold at 50 per cent. Unfortunately, some of this simplicity is lost by adjusting not only for family size, but also for family composition. An adult is generally granted more income than is a child. Table 2.3 presents the LIMs for 10 family types.[14] Because 1997 is the last year for which LIMs have been calculated by Statistics Canada, the authors have estimated them for the year 2000 by adjusting for increases in the consumer price index.

TABLE 2.3
STATISTICS CANADA LOW INCOME MEASURE, 2000

Family Type	Low Income Measure
One adult	$13,492
One adult, one child	$18,890
Two adults, one child / One adult, two children	$22,937
Two adults, two children / One adult, three children	$26,984
Two adults, three children / One adult, four children	$31,032
Two adults, four children / One adult, five children	$35,079

Note: The authors have estimated the year 2000 low income measure by adjusting for changes in the consumer price index.
Source: Statistics Canada, *Low Income Measures, 1997* Catalogue No. 13-382-XIB, 1999.

Using a LIM approach to counting the number of poor persons in Canada, rather than the LICO, reduces poverty, depending on the year, by between two and three percentage points. However, this reduction is not uniform across provinces. In fact, it increases the poverty rates in the Atlantic provinces and Saskatchewan while lowering them elsewhere.

REVIEWING STATISTICS CANADA'S LOW-INCOME LINES

This section on Statistics Canada's various low-income lines concludes with a brief review of a discussion paper released by the agency in December 1999[15] which deals with two main issues. The first is the matter of rebasing the LICOs for changes in expenditures on food, clothing and shelter. The second is whether pre- or post-tax LICOs should take precedence in its annual report.

REBASING LICO

As already mentioned in the above description of LICOs, they have been periodically rebased for changes in the average expenditure on food, clothing and shelter. The survey for permitting this has been revised and is now conducted on an annual basis and not, as previously, every four years. This raises the possibility of

rebasing the LICOs every year instead of periodically. The main issue is not whether the LICOs should be adjusted for changed expenditures regularly, but whether the historical series now using the 1986 and 1992 bases should be abandoned. Statistics Canada is proposing that they maintain the 1992 base for the immediate future and replace it over time by LICO values, using current expenditure figures each year. In effect, LICOs from 1997 and beyond would create a new series not based on any particular base year, but be changed every year.

The existence of a fixed base year that represents many years has never been true to the definition of the LICO, unless expenditures remained unchanged in the intervening years. To maintain its integrity, the LICO should represent the income level, each year, at which a poor household spends 20 per cent more than the average household on basic expenditures. Had it been administratively possible to collect expenditure data annually when the process began, a base year covering many years would not have been needed: each year, in effect, would constitute a fresh base year. The historical series would simply be these constantly rebased values. But because annual expenditure data did not exist, the LICO was periodically adjusted.

Looking to the future, it makes no inherent sense to continue a historical series (for example, based on 1992) that is not true to the definition of the LICO. These historical series fixed on a particular base year are an administrative fabrication necessitated by the lack of continuous expenditure data. It never made sense to push backwards in time a particular base-year LICO if expenditure patterns were changing. Using 1992- or 1997-based LICOs to show poverty rates in 1985 is incorrect. The proper method has always been to use the base year nearest those years that poverty rates are being estimated. For example, if one wants poverty figures for 1985 or 1987, one should use the 1986 base. If one wants poverty numbers for 1991 or 1993, the 1992 base should be used. One would probably use the 1992 base up to 1995 and then move to estimates provided by the 1997 base. These are also estimates, but provide rates truer to the basic definition of the LICO. The CCSD has always applied this method in its *Canadian Fact Book on Poverty* when calculating changes in poverty over time.

However, few people want to construct a more accurate series in this fashion. It is time-consuming, and Statistics Canada has produced historical series using fixed base years. Currently, it is possible to have poverty series based on either 1986 or 1992 expenditure data. But both are fairly gross estimates of the years that are farther away from the actual base year. For example, the poverty rate in 1997 for all persons as published using the 1992 base is 17.5 per cent, but using the new 1997 expenditure data, the rate is 18.9 per cent. This latter figure is the true measure of low income for 1997, not the 1992 estimate. For the next five years or so, until a new series based on currently adjusted data can be built up, it makes

sense to use 1997 as a transitional base year for extending a series back in time to say 1995, and using the 1992 base to estimate 1993 and 1994 and back to the late 1980s.[16]

PRE-TAX OR POST-TAX LICOs

The issue presented in Statistics Canada's discussion paper is not so much whether the agency should continue to produce pre- or post-tax LICOs but which one should have prominence in its annual report on incomes. Statistics Canada is proposing that the post-tax LICO take the spotlight and the current traditional pre-tax LICO be reduced in stature. A fuller discussion on the merits of using pre- or post-tax LICOs is presented later in this chapter.

THE CANADIAN COUNCIL ON SOCIAL DEVELOPMENT LOW-INCOME LINES

Like LIMs, the Canadian Council on Social Development (CCSD) low-income guidelines are straightforward and represent a purely relative, or social inclusion approach, to the definition of poverty.

The guidelines are based solely on average family income as reported by Statistics Canada (in 1997, the average was $57,146). The CCSD deems one-half of average income to be the poverty line for a family of three members, which is the Canadian average (to be precise, the average is 3.06 family members). In adjusting the line for household size, the CCSD assigns an individual 50 per cent of the basic three-member-family value, and a family of two, 83 per cent. Families of more than three members are assigned an increment of 16.7 per cent for each additional member; the increment is a rough estimate of the annual living costs of an additional family member.[17]

The CCSD income lines, developed by a national task force in 1973, were not originally intended to be measures of poverty as such. Rather, they were developed to address the problem of severe and persistent income inequality in Canada by defining a minimum standard of income equality for Canadian families. The CCSD considers an appropriate minimum to be not less than one-half of the average family income in the community. Because the relevant community for the CCSD's purposes is Canada, the CCSD does not adjust the lines to take into account the differences in income among regions or between rural and urban households. Over time, a number of voluntary organizations and a few public agencies have come to regard the CCSD lines as poverty lines. Nevertheless, the lines do not measure poverty or need in the sense of providing estimates of the cost of essentials.

The most recent year for which precise CCSD lines are available is 1997, because they depend on estimates of family income provided by Statistics Canada. Year

TABLE 2.4
LINES OF INCOME INEQUALITY DEVELOPED BY THE CANADIAN COUNCIL ON SOCIAL DEVELOPMENT, 2000

Family Size	Income Level
1 person	$14,530
2 persons	$24,119
3 persons	$29,060
4 persons	$33,912
5 persons	$38,765
6 persons	$43,618
7 persons	$48,471

Source: Information provided by the Canadian Council on Social Development.

2000 lines have been estimated by adjusting for changes in the consumer price index, and they are presented in Table 2.4.

FEDERAL/PROVINCIAL/TERRITORIAL MARKET BASKET MEASURE

Although the market basket measure is popularly identified with the particular measure being developed by governments, a *market basket* approach to measuring poverty represents a generic approach, which is used by others as well. Market basket measures (MBM) differ from those presented earlier. The MBM discussed in this section represents only one specific approach still being developed by federal/provincial/territorial officials. The remaining four measures of poverty covered in this chapter are also based on a market basket approach, but the details differ.

The MBM claims to be an absolute, once-and-forever, measure which implies that a given real poverty standard can be developed at any point in time and still be relevant decades later. It develops a basket of necessities, and then prices the basket according to location. So although the content of the basket stays the same, the cost of different items varies, especially the shelter item. But what items are included in the market basket? What is considered a necessity? The governments define necessity with the aid of a statement made by the notable 18th-century Scottish economist Adam Smith: "whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without."[18]

However, the MBM – by claiming to be a measure that only adjusts over time to price changes, and not to "the customs" of the country – means that a family's standard of living will lag behind that of non-poor families as community incomes rise. If the MBM were to adhere to Adam Smith's more generous measure of poverty, the MBM would have to be adjusted not only for price changes over time but also for changes in community consumption levels and patterns. As it stands, the governments' intended absolute measure is a relative measure, but with a time lag.

The MBM's construction is based on the separate identification of food, clothing and shelter needs, while other *essentials* are addressed only in aggregate as a fixed percentage of the costs of food and clothing. The specific items in the market basket are identical for each geographical location, although the proportions consumed of different items may vary. The major adjustment for

geographic difference is made through the different purchasing costs of the necessary items across the country. Poverty lines are estimated for five different community sizes (as with LICOs). This allows the MBM to estimate the incidence and numbers of poor people at the local, provincial and national levels. However, it does not permit a single national poverty line for each community size (as the LICO does), because the lines vary by province. In fact, for one family size alone (the MBM does adjust for family size), 39 different lines must be used to estimate the number of poor people just in that single family-size category. In order to produce an estimate of the national rate of poverty and the number of poor people, this procedure must be repeated many times over for each family size.

Briefly, constructing the MBM occurs in three basic stages:

- The *first stage* is to construct a market basket of necessities. To do this, government officials focus on the needs of a four-member family, consisting of two adults and two children. For food, the MBM uses Agriculture Canada's Nutritious Food Basket, which is then priced for 18 urban centres across Canada. For clothing, the MBM uses 75 per cent of the amount budgeted for by the Social Planning Council of Metropolitan Toronto in 1991, and subsequently updated for cost changes. The shelter standard for the four-member family is a three-bedroom apartment. Shelter costs receive the most adequate and extensive geographical treatment; CMHC is able to provide rental information for all locations in Canada with populations exceeding 10,000 people. The median rent in each location is adopted for the MBM. For other essentials – such as personal care, household needs, furniture, a telephone, public transportation, reading, recreation, entertainment and school supplies – the MBM allocates an amount equal to 60 per cent of the sum recommended for food and clothing. This percentage was determined after examining budget guides developed by social planning agencies in a number of cities.

- The *second stage* is to allow for variation in geographical differences in the cost of purchasing the market basket. This is done with varying diligence in the MBM, largely reflecting the lack of more precise data on local costs. The cost of the food basket is calculated for the largest urban centre in each province and is assumed to reflect the cost of food throughout the province. For the clothing basket, it is assumed that the 1991 cost of the individual clothing items in Toronto applied across the country at the time. Differential cost changes since 1991 were then estimated at the provincial level only, reflecting some geographical differences. For the shelter component, the median rent for each location was adopted but an estimate was made for those areas with less than 10,000 population. For the remaining essentials, no explicit variation is introduced. However, the procedure of setting the allocation at 60 per cent of the total cost of food and clothing – which varies by location – implicitly builds in some variation.

- The *third stage* requires adjusting the amounts determined above for a four-member family to different family sizes and configurations. One of the scales used to adjust for family size is the one used for the construction of LIMs. The choice of an equivalence scale is quite technical and will not be pursued here other than to say that the LIM approach adjusts not only for the number of members in a family, but whether members are under the age of 16 or over.

The values of the market baskets determined by the above procedure are only to be adjusted each year for price changes in the food, clothing and shelter elements. Unlike the four measures previously discussed, the baskets do not adjust for changes in the standard of living (i.e., changes in real incomes). However, the MBM approach does admit that the contents of the basket should be reviewed periodically, without any comment as to how often, except to say that living standards would have to change *enough* to warrant revision.[19] So in the end, the MBM's intended absolute nature is partially transformed into a relative measure, recognizing at least a need for minimum social inclusion, albeit with a time lag.

If one goes beyond the construction of a poverty line to actually count the poor using the MBM, what definition of income is proposed? The MBM starts with the premise that the measure of income must be that available to the household to purchase the market basket. Therefore, it is gross household income minus applicable provincial and federal provincial taxes, as well as any payroll taxes paid into the Employment Insurance and CPP/QPP programs. Household income is also reduced to reflect any child support payments paid out by a non-custodial parent, as well as out-of-pocket child-care expenses. Medical expenses for dental, prescription drugs, vision care and aids for persons with disabilities are also deducted because medical care is not included on the expenditure side of the market basket, but are deemed necessary expenditures.

Table 2.5 displays the poverty lines at the provincial level for a family of two adults with two children, in five different-sized communities. MBM lines have been produced for 1996, and they have been estimated for the year 2000 by using changes in the consumer price index.

What would the adoption of the MBM lines mean for the rate of poverty in Canada? It is estimated that the incidence of poverty would be cut to two-thirds (67 per cent) of the national rate derived by using the traditional pre-tax LICO measure (12 per cent versus 17.8 per cent for all persons, 1996). There are significant differences by province, varying from Newfoundland where poverty is cut to only 86 per cent of the LICO, to Quebec where the rate falls to 51 per cent of the LICO poverty rate.

TABLE 2.5
MARKET BASKET MEASURE LINES, BY PROVINCE AND SIZE OF AREA OF RESIDENCE, 2000*

Province	Size of Area of Residence				
	500,000 +	100,000 -499,999	30,000 -99,999	< 30,000 urban	rural
Newfoundland	n.a.	$22,671	n.a.	$21,339	$19,981
Prince Edward Island	n.a.	n.a.	$22,752	$21,433	$21,433
Nova Scotia	n.a.	$22,732	$21,246	$22,899	$20,964
New Brunswick	n.a.	$20,532	$22,146	$19,724	$19,199
Quebec	$21,303	$20,368	$20,099	$19,920	$19,100
Ontario	$26,899	$24,772	$24,260	$23,876	$21,749
Manitoba	$23,218	n.a.	$22,513	$21,322	$21,065
Saskatchewan	n.a.	$21,975	$20,489	$21,527	$20,527
Alberta	$21,279	n.a.	$20,805	$21,087	$18,819
British Columbia	$26,901	$25,761	$24,249	$23,634	$21,905

Notes: * Reference family is two adults with two childre
n.a. = not applicable due to the absence of this c , size in the province.
The authors have estimated the year 2000 market ba ines by adjusting for changes in the consumer price index.
Source: Federal/Provincial/Territorial Working Group, *Construction of a Preliminary Market Basket Measure of Poverty* (Ottawa: March 1998).

THE FRASER INSTITUTE POVERTY LINES

The Fraser Institute (a free-enterprise advocacy organization) has published poverty lines developed by economist Christopher Sarlo, most recently for the year 1994.[20] Sarlo defines someone as being in a state of poverty "if he lacks any item required to maintain long-term physical well-being."[21] The market basket includes shelter, food, clothing, personal hygiene needs, health care, transportation and telephone. All social amenities are completely excluded. For selecting and pricing the goods in the basket, "it is assumed that the quality and type of each item is at least at the minimum acceptable standard within the community in which one resides."[22]

There is little need here to describe the derivation of these poverty lines in detail, because they follow the basic approach and philosophy used by the Market Basket Measure. Both approaches estimate what they consider to be the cost of a basket of necessary goods and services. However, the Fraser Institute lines are based more closely on the goal of ensuring physical survival, rather than the MBM's goal of providing those necessities that it is customary to have at lower levels of income (but not necessarily the lowest levels). The construction of the Fraser Institute market basket goes into great detail, but like all market basket measures it makes many arbitrary assumptions as to what is necessary. This exhaustively detailed approach, while projecting an air of objectivity and science, in fact simply and inadvertently draws attention to the subjective (and relative) nature of the poverty lines and how they are derived. An element of relativity and subjectivity is inherently present in

the drawing of any measure – whether one approaches it on a relative (social inclusion) or absolute (physical survival) basis.

The Fraser Institute lines are only developed for a number of Canadian cities, but province-wide poverty lines are also prepared, based on weighting the results for the various cities within each province. These lines are reproduced for six family sizes in each province and nationally in Table 2.6. The national line is the result of weighting the provincial lines and taking the average. The latest published results are for 1994, and the authors have estimated them for the year 2000 by adjusting for changes in the consumer price index.

TABLE 2.6
FRASER INSTITUTE POVERTY LINES, 2000

	Family Size					
Province	**1**	**2**	**3**	**4**	**5**	**6**
Newfoundland	$8,201	$11,464	$14,732	$17,618	$20,066	$22,507
Prince Edward Island	$7,167	$10,251	$13,937	$17,181	$19,506	$21,824
Nova Scotia	$7,403	$10,511	$13,899	$17,502	$19,797	$22,085
New Brunswick	$7,190	$10,091	$13,252	$15,995	$18,334	$20,667
Quebec	$6,841	$9,855	$12,699	$15,681	$17,960	$20,229
Ontario	$8,145	$11,529	$15,045	$18,603	$20,805	$23,000
Manitoba	$7,021	$10,495	$14,153	$17,585	$19,846	$22,100
Saskatchewan	$6,422	$9,760	$13,049	$16,098	$18,402	$20,700
Alberta	$6,994	$9,991	$13,216	$16,010	$18,158	$20,300
British Columbia	$8,754	$12,117	$16,203	$19,754	$22,130	$24,500
Canada	$7,625	$10,853	$14,220	$17,502	$19,757	$22,006

Note: The authors have estimated the year 2000 lines by adjusting for changes in the consumer price index.
Source: Christopher Sarlo. *Poverty in Canada*, 2nd edition (Vancouver: Fraser Institute, 1996).

When the Fraser Institute lines are used to measure poverty, extremely low rates are produced. Due to the complications of actually measuring poverty using these lines, and the fact there are no known users of them (other than the Fraser Institute itself), means that the original poverty estimates have not been updated since Sarlo calculated them for 1988. For that year, for a family of four, the rate of poverty was 2.5 per cent compared to the traditional Statistics Canada pre-tax LICO result of 10.1 per cent. Using the Fraser Institute lines cuts Canada's poverty rate by 75 per cent.

For those who want a basic Third World measure of poverty, one that will do little more than provide for the short-term physical survival of a family, these lines are representative of that.

THE MONTREAL DIET DISPENSARY GUIDELINES

The Montreal Diet Dispensary (MDD) is a non-government community organization which reaches out to pregnant women in need, considered to be high-risk

pregnancies. The Dispensary provides nutritional supplements, social support and referrals to other helping agencies. In conjunction with a committee of welfare case workers associated with the Montreal Council of Social Agencies, the MDD has long maintained a set of minimum income guidelines that it updates periodically. The Dispensary has developed two lines.[23]

- The first line, designed for short-term periods of assistance only, is a basic needs guide consisting of seven items designed to provide for "the minimum adequate requirements for the maintenance of a family as a unit and the preservation of health and self-respect of the individual."[24] The seven items considered essential to meet basic needs are shelter, food, clothing, personal care, household supplies, utilities, and fuel for home heating.
- The second, slightly higher line – labelled the minimum adequate standard of living line – is designed for longer periods of assistance. It adds 10 more items to the basket "to allow for a minimal integration to society and to ensure the good physical maintenance of the family."[25] The 10 additions to the basic list of seven essentials are: transportation, school supplies, religious expenditures, replacements ("of only minor and absolutely necessary items such as dishes, utensils or linen"[26]), reading material, recreation, personal allowances, entertainment, telephone, and furniture and repairs.

Like all market basket measures, the MDD breaks down expenditures into basic categories and then prices the items in each category. The Dispensary uses standards that have in most cases been established elsewhere, but modifies them to suit its own judgement about what constitutes a minimum in each case. The MDD does not routinely adjust the contents of its categories to reflect changes in living styles and increases in the standard of living, although more changes have been made in the latest edition, compared to earlier editions. Nonetheless, some elements in the basket are rather aged. For example, it uses a basic reference standard for food last updated in 1975 (which basically adopts as its standard the actual food consumption patterns of the bottom 30 per cent of the population), and its clothing standard is based on 1951 guidelines.

To reflect changes in the cost of living, both lines used by the Dispensary are updated

TABLE 2.7
MONTREAL DIET DISPENSARY, BUDGET GUIDELINES FOR BASIC NEEDS, 2000

Size of Household	Basic Needs	Minimum Adequate Standard
Single employable	$8,946	$10,972
Mother, two children	$16,236	$18,336
Couple, two children	$19,008	$21,697

Note: The authors have estimated the year 2000 lines by adjusting for changes in the consumer price index.
Source: Montreal Diet Dispensary, *Budgeting for Basic Needs and Budgeting for Minimum Adequate Standard of Living* (Montreal: June 1997).

periodically for changes in the prices of items in the different categories. As a result, the MDD's budget guidelines lean more towards a physical survival, or absolute approach, to the definition of poverty. The most recent year for which the Dispensary has calculated their lines is 1998 and changes in the consumer price index have been used to estimate the values for 2000. It should be noted that these lines describe an income level after any income tax has been paid. As Table 2.7 shows, the values of these guidelines have more in common with the Fraser Institute lines and, as will be noted below, social assistance rates established by the provinces.

THE SOCIAL PLANNING COUNCIL OF METROPOLITAN TORONTO BUDGET GUIDES

The Social Planning Council of Metropolitan Toronto (SPCMT) budget guides also use a market basket approach, but what they consider as essential to the basket is based on what is required for social inclusion, not just physical survival. In other words, it seeks to identify a selection of goods and services whose cost represents the minimum expenditure necessary for social – rather than merely physical – survival.[27] Many social analysts have a high regard for the SPCMT procedure for determining minimum expenditure. Unfortunately, although the procedure can be used anywhere, the poverty lines (budget guides) that result from the SPCMT's use of it are specific to Toronto. They are not necessarily applicable to other parts of the country.

However, they are presented here because as a market basket measure they stand in sharp contrast to the MBM, the Fraser Institute lines and the Montreal Diet Dispensary guidelines. The SPCMT guides are an example of a market basket approach that considers items from a social inclusion perspective. In defining its budget guides, the SPCMT begins by breaking down expenditure into 13 categories. A panel of experts and non-experts drawn from the community then assigns to each category specific items that in its judgement must be within people's reach if they are to function socially at a minimum level, given the prevailing standards in the community. This approach makes provision for items such as a daily newspaper, dental care, shelter appropriate to the composition of the family and the ages and sexes of the children, recreation provided through institutions such as the YMCA and YWCA, supplies for adequate household maintenance, basic personal care items such as toothpaste and shaving equipment, and a one-week vacation at a nearby rented cottage. The panel assumes that transportation needs can be met entirely by public transit. It revises the contents of the shopping basket from time to time to reflect changes in community standards, although this has not been done since 1992.

The next step is to cost the contents of the shopping basket at prevailing prices. This task is performed by professional buyers, who are trained to acknowledge the realities of shopping on a small budget. For example, the buyers must bear in mind that low-income families are seldom able to cross town to take advantage of

one-time shopping specials (due to lack of transportation); nor can such families normally afford to stock up on bargain items (due to lack of funds and/or storage space). The cost of all of the items in the basket represents the appropriate budget guide for a particular type of family, that is, a family of a given size and composition.

TABLE 2.8
SOCIAL PLANNING COUNCIL OF METROPOLITAN TORONTO, BUDGET GUIDELINES, 2000

Type of Household	Budget Guidelines
Single employable	$20,759
Mother, two children	$37,036
Couple, two children	$44,668

Note: The authors have estimated the guidelines for the year 2000 by adjusting for changes in the consumer price index.
Source: Social Planning Council of Metropolitan Toronto, *Guides for Family Budgeting 1992* (Toronto: 1992).

Because the SPCMT calculates a separate budget guideline for each family type, the total number of guidelines is large. Table 2.8 presents lines for a few selected families, and the most recent SPCMT's estimates for 1992 have been updated to the year 2000 using changes in the cost of living only. The guidelines include an amount necessary to pay all applicable income, social security and consumption taxes. The guidelines make the following assumptions: in each case, the families are renting; there is one adult earner; and the family does not own a car.

THE COST OF LIVING GUIDELINES DEVELOPED BY THE SOCIAL PLANNING AND RESEARCH COUNCIL OF B.C.

Since 1988, the Social Planning and Research Council of B.C. (SPARC) has periodically prepared estimates of the cost of daily living for people under the age of 60 years.[28] To do so, it adopts a market basket approach whose main purpose is to assess the adequacy of provincial social assistance rates. Although these daily living costs are not described as poverty lines, it is clear that the amounts are considered to be the minimum necessary to allow people to participate in community life. These lines are thus aimed at providing a measure of social inclusion, and not just physical survival. Items in the B.C. basket include food, clothing, shelter, utilities, household supplies, personal care and transportation, all of which form the "basic subsistence costs." Other items – such as reading material, meals at a restaurant and admission to events – are then included to go beyond mere subsistence in order to facilitate participation in the community.

The latest figures provided by SPARC are for 1996, and they have been updated to the year 2000 for price increases. Table 2.9 provides these estimates which represent the amounts required after income taxes. The B.C. results fall between those produced for Toronto (which are pre-tax) and Montreal (post-tax), reflecting at least in part the differential costs of living in these three cities.

TABLE 2.9
COST OF LIVING DEVELOPED BY THE SOCIAL PLANNING AND RESEARCH COUNCIL OF B.C., 2000

	Family Type				
	Single adult	**Single parent, child (5 years)**	**Two adults, no children**	**Single parent, child (16 years), child (14 years)**	**Two adults, child (5 years), infant (6 months)**
Monthly	$1,120	$1,638	$1,659	$2,199	$2,426
Yearly	$13,436	$19,661	$19,906	$26,391	$29,111

Note: The authors have estimated figures for the year 2000 by adjusting for changes in the consumer price index.
Source: Social Planning and Research Council of BC, *Widening the Gap, A Comparison Between the Cost of Daily Living and Income Assistance Rates (BC Benefits) in British Columbia* (Vancouver: May 1997).

Benchmark Comparisons

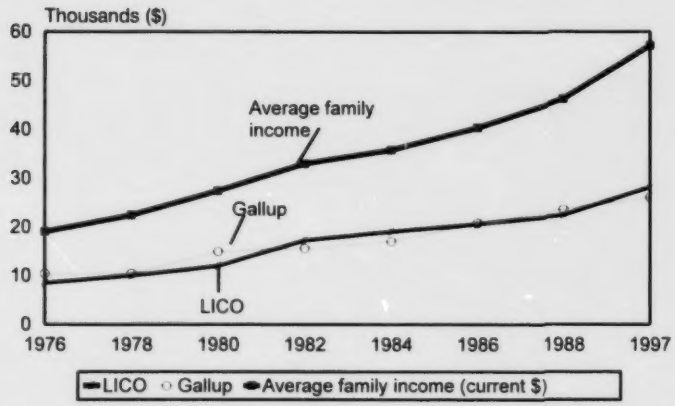
PUBLIC OPINION

Since 1976, the Gallup public polling organization has conducted regular polls that provide a guide to what the general public considers to be poverty. The poll asks the question: "Generally speaking what do you think is the least amount of money a family of four needs each week to get along in this community?" In 1997, the average response was $500 per week, or $26,000 per year. This amount is $2,100 below the Statistics Canada low income cut-off for a four-member family in an average-size community. However, because the Gallup question asks about the "amount of money" and not the amount of income, it is quite likely that most respondents interpret this as after-tax disposable income. The Gallup lines are not clear on this issue, but those analyzing the U.S. Gallup survey have concluded that most survey respondents would interpret the wording of the question as "take home" income, that is, income after tax has been paid.[29] If this were the case, the pre-tax income necessary to generate $26,000 is higher and much closer to the LICO figure, which is pre-tax. Whether respondents to the Gallup poll would in fact be inclined to support their neighbours at this level poses an interesting political question, but, nonetheless, the results provide an indication of what Canadians believe to be the level of income necessary to just get along in society.

In 1998, an Ekos survey asked the question: "In your opinion, what is the minimum amount of yearly income before taxes a family of four living in your community requires to meet its basic needs?"[30] The median response was $40,500.

The evidence from these different sources of public opinion indicates that the public favours a relative or social inclusion approach to the definition of poverty. Figure 2.1 charts three lines: the traditional LICO, the Gallup results and average family income since 1976. There is an extremely close correspondence between public opinion and the LICO, and both of them rise over time in line with average income, or the standard of living.

Figure 2.1
Canadians' Perception of Poverty over Time



Note: The years were selected based on the availability of Gallup data.
Source: Prepared by the Canadian Council on Social Development using Statistics Canada's low income cut-offs and *Income Distributions by Size in Canada*, and selected Gallup polls.

PROVINCIAL SOCIAL ASSISTANCE RATES

Basic provincial social assistance rates are implicit poverty lines. Most recipients of basic social assistance payments have no other income apart from modest federal government child and sales tax credits, and in some cases, provincial supplements of one kind or another. Consequently, one can look on social assistance as the definition of minimum income that has received the sanction of provincial governments.

Prior to 1995, before the advent of the Canada Health and Social Transfer (CHST), assistance to those on welfare was broadly governed by the 1966 legislation that introduced the Canada Assistance Plan (CAP). This legislation specified that the federal government share the cost of provincial assistance payments for food, clothing, fuel, utilities, household supplies, health care, travel and transportation, and personal requirements (the last item encompasses personal care, cleanliness and grooming, and recreation). It was left to the individual provinces to decide how much to allow for each category of expense and hence what the overall level of assistance would be.

Both before and since 1995, none of the provinces worked out an explicit budget (a market basket) to determine the adequacy of the basic assistance levels or sought to ensure that the benefits granted did satisfy the minimum requirements enumerated under CAP. Consequently, one cannot assume that recipients of social

assistance have incomes sufficient to cover essentials. Studies by the municipalities of Ottawa and Toronto submitted to the Ontario Social Assistance Review Committee showed that welfare recipients in these cities were routinely paying between 50 and 75 per cent of their total monthly allowances for shelter alone.[31] Given the rising number of homeless and the growing reliance on food banks, this situation is probably substantially the same in the year 2000. When rent absorbs so much of a recipient's allowance, it leaves little for food and clothing, let alone health care, household operation, education, transportation and personal care.

Although it is easy enough to compare basic social assistance rates across the provinces, the task of comparison is not so easy when one tries to account for extras that provinces may provide. A given province may – or may not – provide shelter allowances, free health care, winter clothing and school allowances, special services for people with disabilities, or supplementary assistance that case workers can dispense to clients with some discretion to meet special or emergency situations. Fortunately, the National Council of Welfare regularly calculates an amount for basics and extras in such a way that permits comparisons across the provinces.[32]

The figures in Table 2.10 include the basic provincial rates, special allowances that are generally provided, and the maximum values of shelter subsidies where these subsidies are normally available on a general basis. The figures also include certain other forms of public transfers such as federal child benefits, provincial family allowances and child benefits, and GST and provincial tax credits. Although some small omissions from income are still bound to exist, the figures provide a reasonably accurate impression of the levels of income available to Canadians with little or no other income and few assets.

TABLE 2.10
ANNUAL INCOMES OF HOUSEHOLDS THAT RECEIVE SOCIAL ASSISTANCE, 2000

	Family Type			
Province	**Single, employable**	**Single, disabled**	**Single parent, one child**	**Couple, two children**
Newfoundland	$1,121	$7,102	$11,723	$12,695
Prince Edward Island	$5,498	$7,359	$9,999	$14,965
Nova Scotia	$4,579	$8,861	$10,607	$13,948
New Brunswick	$3,276	$6,925	$9,072	$10,164
Quebec	$6,081	$8,836	$8,002	$10,964
Ontario	$6,453	$11,541	$11,563	$14,543
Manitoba	$5,535	$7,402	$9,652	$14,015
Saskatchewan	$5,469	$7,022	$8,923	$12,741
Alberta	$4,908	$6,602	$9,446	$14,743
British Columbia	$6,253	$9,568	$10,595	$12,820

Note: The authors have estimated the annual income figures for the year 2000 by adjusting for changes in the consumer price index.
Source: National Council of Welfare, *Welfare Incomes 1997 and 1998* (Ottawa: 1999).

The figures in Table 2.10 represent the rates of social assistance that prevailed in 1998. They have been updated for changes in the cost of living only, in order to provide estimates for the year 2000. A comparison of the figures in Table 2.10 with those in previous tables makes it clear that social assistance authorities tend to adopt an absolute, or physical survival, approach to the definition of poverty.

AVERAGE AND MEDIAN INCOMES

The figures in Table 2.11 represent the prevailing average and median incomes for Canadian households. The purpose of including these benchmarks is to show how the various poverty lines measure up against the average Canadian income. All of the lines fall far short of the average, and most are less than one-half of the average. The most recent data available are for 1997; and this book's estimates for the year 2000 are based on adjustments for changes in the cost of living only. The definition of income used is the broad definition described earlier in the section on Statistics Canada's low income cut-offs. It represents before-tax income.

TABLE 2.11
AVERAGE AND MEDIAN INCOMES, CANADA, 2000

Household Type	Average Income	Median Income
Families	$61,014	$53,650
Unattached Individuals	$26,697	$20,071
All Households	$49,707	$40,466

Note: The authors have estimated income figures for the year 2000 by adjusting for changes in the consumer price index.
Source: Statistics Canada, *Income Distributions by Size in Canada*, 1997. Catalogue No. 13-207-XPB, 1999.

Poverty Line Issues

In closing out this chapter, it is useful to look at a number of issues associated with the development of poverty lines.

SIMPLICITY

Ideally, the measurement of poverty would reflect the relationship between the real income and the needs of each Canadian household. The realization of this ideal would, however, result in approximately 10 million separate values. Real incomes and needs vary, and seldom according to categories that would be easily measured in a survey. For example:

- People with severe disabilities generally have greater income needs than do others.
- People who live on farms may have slightly smaller income needs because they can produce some food for themselves more cheaply than city dwellers can buy it.
- Some households reduce their need for cash income by participating in local informal economy networks whose members exchange goods and services.

- Residents of some provinces receive free or subsidized services that residents in other provinces may pay for in full.
- Urban households face higher shelter costs than do rural households; on the other hand, rural households face considerably higher transportation costs than do urban households and often have little access to many services that are readily available in cities.

Although the definition of 10 million values is out of the question, it is possible to design poverty measures that take most of the factors just mentioned into account in a more or less general way. Disability, income in kind, access to subsidized services and locational differences in the cost of living are all matters that a well-conceived set of poverty measures can consider. Indeed, some of the poverty measures outlined above do accommodate a wide range of variables.

On the other hand, it is possible to argue that measures of poverty should be fairly simple, especially if they are going to be used to count the number of poor. One objection to the fine-tuning of poverty lines is unwieldiness: for example, the Statistics Canada LICOs, by taking just two variables into account (family size, and urban-rural expenditure differences), yields 35 separate lines. Elaborate categorization of the poor can also lead to perceptions of unfairness – especially if the resulting lines are used as the basis of government programs (see "Poverty Lines and Anti-poverty Policies" later in this chapter).

DEPTH OF POVERTY

All measures of poverty have one feature in common: they generate estimates of the rate, or incidence, of poverty only. However, two other important statistical dimensions – depth and duration – round out an understanding of poverty. Depth means how far below the poverty line a family's income is, or in other words, how much money is required to bring a poor family's income up to the poverty line. The difference is known as the *poverty gap* – and results can be generated for individual families, for segments of the population (such as lone-parent families) or for Canada's entire poor household population.

An example can best illustrate the importance of the depth of poverty. Imagine that two provinces have identical poverty rates of 15 per cent, so on the surface the picture of poverty appears identical. However, in one province the typical poor family is $8,000 below the line, while in the other province the average depth is only $1,500 per family. Clearly, the state of poverty is worse in the first province.

Both the rate and depth of poverty must be known for policy purposes, and the CCSD was one of the first organizations to highlight and develop estimates on the depth of poverty.[33] A variety of efforts are underway to merge the two dimensions

of poverty into one combined measure,[34] although Statistics Canada has made no attempt to combine the two. Chapter 6 pursues this issue of linking these two poverty dimensions in greater detail, building on an experimental measure published by the CCSD in 1997.[35]

DURATION OF POVERTY

The third important dimension required to round out the picture of poverty is the length of time, or duration, that households exist in a state of poverty. After the rate of poverty has been calculated, the added dimensions of depth and duration paint a more complete picture of the severity of poverty. Chapter 7 explores the issue of poverty duration in more detail.

BEFORE-TAX OR AFTER-TAX INCOME?

The measures of poverty described above take different approaches to measuring income, and hence poverty. The CCSD line and versions of Statistics Canada LICOs and LIMs use before-tax income. It is expected that the resulting poverty line incomes are subject to tax. The Social Planning Council of Metropolitan Toronto Budget Guides provide both pre- and post-tax lines.

On the other hand, all of the market basket measures of poverty define poverty line income net of a variety of taxes, that is, after-tax income. The MBM even recognizes payroll taxes such as Employment Insurance and CPP/QPP premiums. Market basket lines are generally designed to allow for the purchase of a basic basket of goods and services including applicable consumption taxes.

In theory, there should be little to choose between the two approaches because only net (after-tax) income is relevant to a poor household. If before-tax income is used, it is assumed to be higher by an amount equal to the family's expected income tax bill. In either case, the amounts should generate a disposable income designed to purchase identical levels of goods and services. The resulting lines will be different but only because one set (pre-tax) assumes that income taxes must be paid out of the given level, while the other set (post-tax) assumes no income taxes are to be paid out of this income. In reality, there will be a basis on which to choose between the lines if low-income people are required to pay income taxes when it is assumed by the after-tax approaches that they don't pay taxes.

However, there is a more serious measurement issue concerning taxes, and this relates to how Statistics Canada calculates its LICOs. In its 1999 discussion paper, discussed in an earlier section, Statistics Canada is proposing to highlight the post-tax LICO and downgrade the existing pre-tax LICO. Such a change would reduce the 1997 rate of low income (poverty) for all persons from 17.5 per cent to 13.3 per

cent; for children, from 19.8 per cent to 15.8 per cent; and for seniors, from 18.7 per cent to 8.1 per cent. For people living in large metropolitan cities, the actual value of the LICO would fall by $3,000 for a single person and $4,900 for a family of three. Consequently, the proposed change is not cosmetic but substantial. With one computer keystroke, poverty is significantly reduced.

The discussion paper demonstrates why the post-tax approach reduces poverty. Because the LICO is a relative measure, incomes in Canada on a post-tax basis are more equally distributed due to the relatively progressive nature of income taxes. Consequently, a low-income family is now relatively closer to a middle-income family after taxes than before – in effect, middle-income families are now "poorer." As a result, a poor family's income must drop in order to maintain the same relative distance between poor and middle that existed before taxes. This drop is reflected in a lower LICO, and subsequently lower poverty rates.

The logic so far is unassailable if one decides to use post-tax income and follows the usual method of calculating the LICO based on average expenditure.

Unfortunately, the analysis ignores an important consideration: post-tax LICOs only adjust incomes for federal and provincial income taxes. These taxes currently account for only 38 per cent of total government revenues.[36] The remaining 62 per cent is collected through more regressive taxes such as EI and CPP premiums, GST and provincial sales taxes, property taxes and so on. If Statistics Canada is going to adjust incomes for taxes paid, it should go beyond the only tax that does redistribute income and include those that work in the opposite direction. The agency's technical analysis of how far a poor family falls below a middle-income family after taxes would then be quite different.

The lack of progressivity in the overall tax system has been corroborated over the years by Professor Irwin Gillespie, most recently in 1994. His work shows that when the incidence of all taxes are accounted for, Canada really has a flat tax that varies between 30 and 34 per cent of income across the entire income range.[37] Consequently, low-income Canadians would feel just as poor relative to middle-income families either before or after all taxes are levied.[38]

Aside from the technical details, the major question is: Why is this decision being taken? After all, it has been an arbitrary decision to use pre-tax income from the beginning, just as it was an arbitrary decision to use average expenditure on essentials and add 20 per cent to it. If Statistics Canada were now proposing to lower the "mark-up" to 10 per cent, or to use, not average expenditure, but say one-half average expenditure, the public would expect a strong rationale for this change. One would also expect the same for an arbitrary change from pre- to post-tax.

Unfortunately, the discussion paper provides only a weak and unconvincing rationale: "the focus will shift from before-tax to after-tax low income rates because *we now have the capacity* to do this" [emphasis added].[39] But the capacity has been there since at least 1980 as the paper notes.[40] Why has it taken almost 20 years to propose a change that could have been instituted in 1980?

Many anti-poverty advocates, and poor Canadians in general, will wonder if the sudden arbitrary proposal to lower low income cut-offs is politically motivated. The discussion paper does note that "the commitment of governments to address child poverty, has led to intense public scrutiny of LICOs and their appropriateness for evaluating the effectiveness of poverty-reduction policies and programs. Some have called for a public debate on how poverty should be measured."[41] Critics will also note that the proposed post-tax LICOs are much more in line with the federal, provincial and territorial governments' Market Basket Measure which is also considered to be politically motivated and a compromise between the current LICO and the Fraser Institute lines.

Without a stronger and clearer rationale as to why a change to a post-tax LICO is being proposed, one wonders why the agency stuck with the pre-tax measure for over 30 years? It is hard to believe that all of a sudden, for unstated technical reasons, Statistics Canada recognizes that it has been using the wrong line for all these years.

In conclusion, it is important to note that the overwhelming reason why the current LICOs have been around so long and are the most authoritative, widely quoted and accepted lines is not because of their superior methodology, but because they give sensible results that resonate with Canadians. Since 1976 when Gallup has asked the question as to what is the minimum amount a family needs to get by on, the answers have been remarkably similar to the LICO numbers, and both have closely tracked changes in average family income levels as seen in Figure 2.1.

MARKET POVERTY

The CSSD began developing a complementary definition of household income to be used in measuring poverty in its 1989 edition of *The Canadian Fact Book on Poverty*, which was further elaborated in its 1997 report, *Left Poor By the Market*.[42] In order to count the number of poor Canadian households, traditional estimates of the extent and depth of poverty, use a household's *total income* (either before- or after-tax) when comparing it to any given poverty line. Total income is a household's combined income received from governments, plus all private receipts such as earnings, returns from investments (including RRSPs), alimony and company pensions. These private receipts are known as *market*

income because they are based on non-government income flowing primarily from the marketplace. Of all market receipts, by far the largest element is earnings, and earnings are sometimes used synonymously with the term "market income."

A measure of poverty that focuses on market income is prompted by the shift that has been occurring in governing philosophy beginning in the late 1970s, and gathering force in the 1980s and 1990s (in many western countries), away from the collective provision of support for poor people towards an emphasis on self-reliance. This shifting of responsibility means that low-income households no longer can reliably count on minimum supports from governments; instead, people are expected to make greater efforts to improve their economic security through enhanced labour market activity. The remaining government support programs are being continuously transformed into programs to provide people with the means and incentives to improve their situation in the labour market.

Historically, earnings have always provided the bedrock of a household's economic security, and households today derive around 78 per cent of their total income from earnings. Given the importance of earnings, it is insightful to develop a measure that provides an estimate of how well the strategy of increased self-reliance is working for those at the bottom of the earnings ladder. One way is to estimate the rate of poverty using the LICO, but substituting market income for total income as a measure of a household's income. This procedure provides an approximation of what the rate and depth of poverty would be in the absence of government transfers. The word "approximation" is used because if government transfers were eliminated in reality, it is not certain how people would react and how the earnings picture would change. But a market measure of poverty provides a picture over time of how well earnings alone are capable of keeping people out of poverty. Chapter 5 presents estimates of market poverty.

Poverty Lines, Public Policy and Politics

WHY DO WE HAVE POVERTY LINES?

Poverty lines are needed for several reasons:

- Society needs a statistical indicator that tracks national and provincial estimates of the number and composition of households with low incomes. This indicator is essential for determining the size of the poor population and its composition – how many are lone-parent mothers, children, Aboriginal peoples and persons with disabilities? The measurement of a societal condition is a fundamental prerequisite to taking corrective policy action. Moreover, it seems that in modern societies, unless a societal condition has some statistical visibility it is deemed not to exist.

- → International comparisons are needed to see how Canada measures up against other developed countries.
- → Measuring the impact on poverty of policy initiatives – such as Old Age Security, Employment Insurance, or the National Child Benefit, or of major cutbacks in government spending – is important.
- → Frequently, local governments, school boards and community organizations need an income guideline to assist them in establishing eligibility for income-targeted services such as transportation and housing assistance, school lunches, pre-natal care, and subsidized child care.

Which of the poverty lines discussed above is favoured in usage will depend on the purpose for which it is used. If assessing the state of income inequality across the country is the objective, a consistent line based on income, and not on the cost of local living conditions is required. The CCSD line or the LIMs are suitable for this job. If the objective is addressing income inequality across the country, but with at least some recognition of geographic variations in living costs, the LICO (before- or after-tax) represents a good choice.

For international comparisons, a poverty line that introduces variation beyond family size is unwieldy if not practically impossible given the difficulties of gathering consistent data. International comparisons need a relatively simple poverty standard that can be easily applied across many countries. For this, either the CCSD measure or the LIM will be most appropriate. However, if the goal is setting income benchmarks in specific communities for the purpose of providing either income or service assistance to targeted households, then lines based on local living costs are highly relevant. National or international consistency is not important for this purpose. The choice is between the low support levels of the Fraser Institute lines, the intermediate-level lines of the MBM and SPARC of B.C., or the higher support offered by the Social Planning Council of Metropolitan Toronto. Which one is chosen will depend on the ultimate goal of providing assistance – short-term survival or longer-term social inclusion and well-being.

POVERTY LINES AND ANTI-POVERTY POLICIES

To what extent has Canada's "unofficial" poverty line (the LICO) influenced policy decisions? At the national level there is scant evidence that governments pay much attention to them in establishing the benefit levels for federal programs. There was a time in the early 1970s – during the height of social activism – when the LICOs were recognized in some political circles as a desirable benchmark for guiding the benefit levels of the benefit programs for seniors. Although there was no official adherence to the LICOs, government officials referred to them in discussions, and perhaps the fact that the poverty rate among elderly families fell from 39 per cent

in 1967 to seven per cent in 1997 suggests that the LICOs may have had some influence. At the provincial level, there is no evidence that the LICOs have any influence. Social assistance rates accord more closely with the lower levels proposed by market basket approaches designed to provide for short-term physical survival.

However, poverty lines may influence policy beyond benefit levels in other ways. The LICO provides estimates of the rate of poverty in Canada on an annual basis, and when this rate increases it can create pressure on governments to take action. For example, in 1989, the House of Commons unanimously passed a resolution to eliminate child poverty by the year 2000. By 1997, the rate had climbed from 15 per cent to 20 per cent. Child poverty advocacy groups such as Campaign 2000 have not let the federal government forget this resolution and it has proven to be somewhat of an embarrassment and prod to action. The constant reminding of this record can likely take some credit for both provincial and federal governments working on a "national children's agenda," to improve the well-being of children across the country, including those who are poor. This story is reminiscent of the high poverty rates among the elderly in the 1960s, which also played a part in goading governments into ameliorative action.

If poverty lines were used for guiding the benefits of national programs such as CPP/QPP, OAS/GIS/SpA, Employment Insurance, Veteran's Benefits, National Child Benefit, and cut-offs for other tax programs such as the GST sales tax credit, then a line based on the LIM or CCSD approach would have to be used. Variable market basket measures, or even the minor geographical adjustments in the LICO, would likely be inappropriate. A lively response would ensue if the lines were used to actually determine the value of federal government benefits. If the lines came to affect people's lives directly, then any distinctions in treatment on the basis of locality would be noted and questioned. If the federal government were to use distinctions between rural and urban households for determining the value of benefits under federal benefit programs, a political storm would ensue.

In addition to the political problem, an administrative one would emerge. Program administrators would find it difficult to delineate and segregate the population according to the five residency requirements used by Statistics Canada. Neighbours who lived across the road from one another, or within a few miles of each other, would find themselves treated differently, not on the basis of income but on the basis of imperceptible geographical variances.

The lack of any regional or cost-of-living adjustments in the CCSD lines is defensible given the line's original purpose. They were designed in 1973 to provide income guidelines for a national guaranteed income scheme. In other words, they were designed to assure all Canadians the same level of minimum income support wherever they lived. The reference group was all Canadians, not just those in a given geographical vicinity.

The rationale for using a national reference group is that people in rural Newfoundland, downtown Toronto and suburban Vancouver all judge their own living standards by what they see and hear of the living standards experienced by other Canadians. Modern communications ensure that Canadians everywhere are aware of the conditions of life for Canadians everywhere else. If an income line is to be adopted as the basis for guiding national benefits, it must be politically acceptable, and variable lines are not politically acceptable for a national project. In this respect, a CCSD task force observed that for the purpose of establishing a floor income for national income policies "to accept and adjust poverty lines downward for lower incomes in the Atlantic provinces and in rural areas seems only to institutionalize these low incomes."[43]

WHICH LINE DO WE USE?

Given that Canada has no official poverty line, which of the many lines discussed above represent poverty? The answer depends on the objective. If simple short-term physical survival is the objective, then the lower-level lines – Fraser Institute, Montreal Diet Dispensary, and those implied by provincial social assistance rates – will suffice. If the objective is to provide for social inclusion and cohesion, and the long-term well-being of family members, then the higher support levels provided by Statistics Canada, the CCSD, the Social Planning Council of Metropolitan Toronto and public opinion are required. The lines that fall in-between – SPARC of B.C., and MBM – will meet the first objective, but are unlikely to fully meet the second.

The basis for this assertion stems from the examples cited in Chapter 1 illustrating some of the associations between family income and child and adult outcomes.[44] From the standpoint of both adult and child well-being, it is clear that families with incomes below $30,000 are much more likely to have riskier living conditions and higher risk outcomes. This level of income seems to be required if the objective of poverty lines is to: set a floor below which family incomes should not fall; lower the risk of poor outcomes; and provide even a vaguely level "playing field" for children and adults. It may be more appropriate to refer to this floor as a line of "unacceptable" income inequality.

Summary

By far, the most accepted and used definition of poverty is the Statistics Canada before-tax LICO. It has been the reigning champion for over 30 years. Whether one agrees with the basic assumptions behind the LICO and the mechanics for developing it, it does provide a level of support that accords with public opinion and with the empirical evidence supporting adult and child well-being. The remainder of this book will use the before-tax LICO in describing the portrait of poverty in Canada.

Endnotes

The official poverty line in the United States is based on the cost of purchasing the food required for a minimum adequate diet. When the line was developed in 1964, it was estimated that a family would require an income three times greater than the amount needed to buy food in order to buy other essentials and stay out of poverty. Since 1964, the lines have been adjusted for changes in the cost – but not the standard – of living. Consequently, they are much lower than the national lines developed in Canada by various agencies. In 1998, the U.S. line for a family of four was $16,450, compared to the estimated Statistics Canada low income cut-off of $33,400. For a good discussion of the U.S. poverty line and attempts to revise it, see Institute for Research on Poverty, University of Wisconsin, *Focus*, Spring 1998.

The results of this survey are published annually in Statistics Canada, *Income Distributions by Size in Canada* (Ottawa), Catalogue No. 13-207.

For her own detailed account of this work, see Jenny R. Podoluk, *Incomes of Canadians* (Ottawa: Statistics Canada, 1968). See also Statistics Canada, *Statistics On Low Income in Canada, 1967* (Ottawa: 1971).

Ibid., Statistics Canada, *Statistics on Low Income in Canada, 1967.*

The Family Expenditure Survey (FAMEX) was replaced in 1997 by the annual Survey of Household Spending which reported that this standard had fallen to 54.3 per cent in 1997. This would necessitate an increase in the LICO. However, this new standard was not used in calculating the rates of poverty published in Statistics Canada's 1997 report on incomes. The 1992 standard was maintained.

Statistics Canada, Income Statistics Division, *Income Distributions by Size in Canada*, 1997 (Ottawa: Ministry of Industry, April 1999), Catalogue No. 13-207-XPB, p. 43.

Ibid.

For the most part, this book concentrates on the rate of poverty among families and unattached individuals. Individual-level data are available, but there are certain problems in interpreting these data that stem from the ways in which income data are collected and organized. Most income studies organize data around the family unit. All individuals within the family are identified by their relationship to the head, defined in most instances as the male breadwinner. Surveys, including the Survey of Consumer Finances, assume that all members of a household pool their income, and in turn, have equal access to family economic resources. This assumption is problematic to say the least, as it systematically hides the distribution of income within families. Moreover, it is difficult to conclusively determine the incidence of poverty or average incomes of specific individuals within the household. As a result, poverty data tend to be broken down by household unit – families and unattached individuals – instead of by individual characteristics. When individual-level data are produced, the incidence of poverty among men and women in couple households, for instance, is assumed to be equal. While acknowledging these problems, the authors have chosen to attribute poverty status to each member of the household based on family income, as is standard practice.

[9] See Statistics Canada, *Low Income After Tax, 1995* (Ottawa: 1997), Catalogue No. 13-592-XPB.

[10] Michael Wolfson and John Evans, "Statistics Canada's Low Income Cut-offs Methodological Concerns and Possibilities: A Discussion Paper" (Ottawa: Statistics Canada, December 1989).

[11] Statistics Canada, *Income Distributions by Size in Canada, 1991* (Ottawa: 1992), Catalogue No. 13-207.

[12] Cited in Statistics Canada, *Low Income After Tax, 1997* (Ottawa: 1999), Catalogue No. 13-592-XPB, p. 11.

[13] For more information on these lines, see Statistics Canada, *Low Income After Tax* (Ottawa), Catalogue No. 13-592, annual.

[14] For more information on LIMS, see Statistics Canada, *Low Income Measures* (Ottawa), Catalogue No. 13-582, annual.

[15] C. Cotton, M. Webber and Y. Saint-Pierre, *Should the Low Income Cut-offs be Updated? A Discussion Paper* (Ottawa: Statistics Canada, December 1999).

[16] *Ibid.*, p. 30.

[17] For more detail, see Canadian Council on Social Development, *Social Security in Canada, 1973* (Ottawa: 1973); and *Not Enough: The Meaning and Measurement of Poverty in Canada* (Ottawa: Canadian Council on Social Development, 1984).

[18] Quoted in *Construction of a Preliminary Market Basket Measure of Poverty*, a report by the Federal/Provincial/Territorial Working Group on Social Development Research and Information, March 1998.

[19] *Ibid.*, p. 16.

[20] Christopher Sarlo, *Poverty in Canada*, 2nd Edition (Vancouver: The Fraser Institute, 1996).

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[25] *Ibid.*, p. 2.

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[27] Social Planning Council of Metropolitan Toronto, *Guides for Family Budgeting 1992* (Toronto: 1992).

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[32] National Council of Welfare, *Welfare Incomes 1997 and 1998* (Ottawa: 1999).

[33] David Ross and Richard Shillington, *The Canadian Fact Book on Poverty 1989* (Ottawa: Canadian Council on Social Development, 1989).

[34] See Chapter 6, endnote 2.

[35] Grant Schellenberg and David Ross, *Left Poor By the Market: A Look at Family Poverty and Earnings* (Ottawa: Canadian Council on Social Development, 1997).

[36] Canada, Department of Finance, *Fiscal Reference Tables* (Ottawa: September 1999), p. 39.

[37] I. Gillespie and W. Vermaeten, "Tax Incidence in Canada," *Canadian Tax Journal*, Vol. 42, No. 2, 1994.

[38] C. Cotton, M. Webber and Y. Saint-Pierre, *Should the Low Income Cut-offs be Updated? A Discussion Paper* (Ottawa: Statistics Canada, December 1999), p. 22.

[39] *Ibid.*, p. 34.

[40] *Ibid.*, p. 24.

[41] *Ibid.*, p. 25.

[42] David Ross and Richard Shillington, *The Canadian Fact Book on Poverty, 1989* (Ottawa: Canadian Council on Social Development, 1989); and Grant Schellenberg and David Ross, *Left Poor By the Market* (Ottawa: Canadian Council on Social Development, 1997).

[43] *Not Enough: The Meaning and Measurement of Poverty in Canada* (Ottawa: Canadian Council on Social Development, 1984), p. 35.

[44] David Ross and Paul Roberts, *Income and Child Well-being: A new perspective on the poverty debate* (Ottawa: Canadian Council on Social Development, 1999).

Chapter 3

The Canadian Fact Book on Poverty 2000

Understanding and documenting the trends in poverty has never been more important. When the previous edition of *The Canadian Fact Book on Poverty* was published in 1994, Canada was grappling with the impact of the recession of the early 1990s. That book documented the situation of poor Canadians in 1991 – in the midst of the recession. In actual fact, the highest levels of poverty were recorded in 1994, as companies downsized, and people ran out of unemployment insurance benefits and ran down private savings. At that point, the critical question was when the economy would turn around.

From the vantage point of the year 2000, the economy has improved slowly through the latter half of the past decade. However, the benefits of the recovery have not been equally shared. Poverty rates remain stubbornly high. Unemployment rates have only just fallen to pre-recessionary levels (6.8 per cent in February 2000). Many fear that Canada is becoming a more polarized society, where wealth is concentrated in the hands of a very small elite and a growing number of individuals and families are marginalized from social and economic life. The evidence presented in this book largely supports concerns about the polarization of opportunity and income in Canada.

The Canadian Fact Book on Poverty 2000 looks back on the 1990s and presents a detailed portrait of the poor in Canada. In this chapter, recent trends in poverty and income inequality are discussed, setting the parameters for a more detailed examination of the composition of poverty and the factors associated with low income. Have overall poverty levels increased, decreased or remained stable? Has income inequality followed the general pattern of poverty? What are the trends in average income?

Answers to these questions reveal fundamental Canadian values and aspirations regarding justice, freedom, and social and economic cohesion. Of course, people hold competing views about the value of pursuing greater equality. Some believe inequality is a prerequisite for economic growth and the accumulation of wealth. Without substantial differences in resources, will enough people want to create and run businesses and acquire higher skill levels? Is a more equitable distribution of income or other social and economic resources desirable at all?

The Canadian Council on Social Development (CCSD) believes that a more equitable distribution of opportunity and resources is indeed desirable, not only to ensure the provision of basic goods and services for all, but to increase personal liberty and well-being, and to create a socially cohesive society. Rising levels of exclusion, marked by economic poverty and polarization, place enormous stress on the social fabric – on individuals, families and communities as detailed in Chapter 1.

Trends in Overall Poverty Rates

The poverty rate among all individuals was 17.5 per cent in 1997, the most recent year for which income data are available. In other words, Canadians have roughly 18 chances in 100 of being poor. The likelihood of families being poor was 14.0 per cent, while the incidence of poverty among unattached individuals was 39.6 per cent. In total, over 5.2 million Canadians lived on family incomes under – in most instances, substantially under – Statistics Canada's low income cut-off (see Table 3.1).

What is particularly notable about these 1997 benchmark data is that poverty touched more than five million Canadians in a year characterized by economic expansion and job growth. Historically, changes in family income have been tied to labour market conditions, because earnings make up the largest component of family income. In 1997, six years after the end of the worst recession since the Great Depression, employment levels grew by a modest 1.9 per cent. The largest gains were in part-time employment, growing by 2.3 per cent between 1996 and 1997, compared to a 1.8 per cent increase in the number of full-time jobs. In fact, part-time work accounted for all net gains in paid employment between 1989 and 1997, as the number of full-time employees declined.[1] In the face of what many analysts have called a "jobless recovery," it is not surprising that many individuals and families have not yet recovered from the recession of the early 1990s.

Looking at poverty data over time is key to understanding the situation of the poor in 1997. Table 3.1 looks at data for 1981, 1989 and 1997 – all roughly similar high points in the business cycle. Poverty rates for 1973, the first year Statistics Canada initiated its current method of reporting low income, are also included.[2]

The striking aspect of this data is that 1997 rates of poverty among all persons were higher than they were in 1989, the year before the onset of the most recent recession, but also higher than they were in 1973 and 1981. Although rates of poverty were much higher in the 1960s, and certainly earlier in the century, Canadians' progress in lowering the overall rate of poverty – most notably in the 1970s – has been eroded in the two subsequent decades.[3]

TABLE 3.1
POVERTY RATES AND TOTAL NUMBERS IN POVERTY, 1973, 1981, 1989 AND 1997

	1973		1981		1989		1997	
	Number (thousands)	Rate (%) *	Number (thousands)	Rate (%) **	Number (thousands)	Rate (%) ***	Number (thousands)	Rate (%) ****
Families	701	13.4%	721	11.3%	786	11.0%	1,175	14.0%
Unattached Individuals	767	40.2%	940	37.5%	1,101	34.4%	1,633	39.6%
All Households	1,468	20.6%	1,661	18.7%	1,887	18.3%	2,808	22.4%
65 +	506	41.0%	533	33.8%	531	26.6%	609	24.8%
< 65 years	962	16.3%	1,129	15.5%	1,356	16.3%	2,199	21.8%
Total Persons	3,269	16.2%	3,339	14.0%	3,489	13.5%	5,222	17.5%

Notes: * 1969 base; ** 1978 base; *** 1986 base; **** 1992 base. Numbers may not sum due to rounding.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Table 3.1 also presents poverty data for families and unattached individuals. Poverty rates among all households under age 65 show a pattern similar to the one among all persons. By the mid- to late 1970s, poverty rates had begun to fall, reaching a low point in 1978. Economic uncertainty in the following years, however, spurred an increase in rates. With the onset of the recession in 1981, rates rose two to three percentage points. By 1989, the highpoint in the 1980s business cycle, poverty rates had dropped to 1981 levels. In particular, the standard of living among unattached individuals, many of whom were seniors benefiting from the exemplary improvement in seniors' benefits, significantly improved over this period. But poverty rates among families, and among all persons, were still higher than 1978 levels.

In 1997, Canadians were again recovering from the impact of yet another, more serious, recession. Poverty rates were higher among all households and all persons than in 1989, 1981 and 1973. The gains achieved by families and unattached individuals between 1973 and 1989 were wiped out during the 1990s. In particular, working-aged households fared badly, experiencing a significant increase in their poverty rate between 1973 and 1997. In contrast, senior households experienced a 16 percentage point drop in their poverty rate.

There is concern at this juncture that what is being experienced is a "structural" increase in the poverty rate, that is, an increase not just related to the ups and downs of the business cycle. After the two economic downturns of the past 20 years, rates of poverty have not fallen to pre-recessionary levels; a larger proportion of Canadians are living in "straitened circumstances" with each passing decade. These data suggest that the structure or conditions generating poverty have shifted.

The notable exception to this trend has been the drop in poverty rates among elderly households. In the early 1970s, four out of every ten elderly households were living in poverty. From 1973 to 1997, the incidence of poverty has almost halved, the direct result of investment in key income supports such as Old Age Security and CPP/QPP. It is one of Canada's most significant achievements in the post-war period. This success is particularly significant in light of the fact that poverty has risen among Canadians under the age of 65 years.

Table 3.1 also highlights the growth in the number of poor people. Poor families increased in number from 701,000 in 1973 to 1,175,000 in 1997, an increase of 68 per cent. The number of poor unattached individuals increased from 767,000 in 1973 to 1,633,000 in 1997 – an increase of 113 per cent. The growth in the number of poor unattached individuals has outpaced that of families largely because of the rapid growth of Canada's unattached population in general. In 1997, the total number of poor households – families plus unattached individuals – was 2,808,000, an increase of 1,340,000 since 1973.

Focusing on the absolute number of poor households and not just on the rates of poverty is extremely important, because it is the numbers that indicate the population at risk, that is, the group of people most likely to require the services and assistance of voluntary social and health agencies, government social service departments, and public income support programs. Thus the social service system faces a potential clientele of 5.2 million persons, almost two million persons more than in 1973.

The Incidence of Poverty in Canada, 1997

The figures in Table 3.2 provide a detailed portrait of poverty in Canada in 1997. The terminology used in this table and in similar subsequent tables requires some explanation. The "incidence" of low income – as noted above – is the same as the poverty rate and represents the degree of likelihood that a given household will have a low income. For example, the incidence of family poverty in Nova Scotia is 14.9 per cent, which means that a family in this province has about 15 chances in 100 of being poor. To judge whether an incidence figure for a group or province is relatively high or relatively low, it must be compared with the benchmark national rate. Any family in Canada has 14 chances in 100 of being poor – a degree of likelihood slightly less than that of families in Nova Scotia.

The figures in the "percentage distribution" column illustrate the proportions of all poor with a given characteristic, whether province of residence, age or education level. For example, 2.5 per cent of all poor families in Canada live in Newfoundland. To obtain the number of poor in any category, simply multiply the total number of households at the head of the appropriate column by the relevant percentage. For

example, of all the poor families in Canada (1,175,000), 33.8 per cent (397,150) live in Ontario. By itself, this figure might give the impression that Ontario has a disproportionate share of Canada's poor people. But Ontario also contains 37.5 per cent of all Canadian families (data not shown). So the province is in fact "under-represented," relative to the country as a whole, in the poverty rolls; the below-average incidence figure confirms this.

When incidence is taken into account, misapprehensions of this kind do not arise. If the incidence value for a given characteristic is greater than the national rate, then that characteristic is "over-represented," that is, the proportion of the poor that exhibits the characteristic is larger than the proportion of the general population that exhibits it. If poverty struck completely at random among families, the rate for any characteristic would equal the national rate of 14.0 per cent.

The percentage distribution data reveal where the poor are. The incidence data point to the probable causes of poverty – or, more correctly, to the factors with which it is strongly associated. For example, the distribution percentage for Newfoundland suggests nothing remarkable: only 2.5 per cent of poor Canadian families live in Newfoundland. The incidence data, however, show that about one Newfoundland family in six (17.7 per cent) has a low income. Consequently, if one were looking for causes of poverty, one might examine particular factors associated with Newfoundland in order to determine exactly what it is in Newfoundland that produces higher-than-average rates of poverty.

A second example: lone-parent mothers with children under age 18 make up 7.1 per cent of all families. These same families, however, make up 28.4 per cent of poor families. The "over-representation" of female single-parent families among the poor is accounted for by virtue of their alarming poverty rate of 56.0 per cent. Consequently, lone-parent mothers, like residents of Newfoundland, are a group to which any investigation of the causes of poverty might profitably turn its attention.

Definitions

In this and other tables throughout the book, data are presented on various "types" of families. The typology used in this book differs somewhat from that used by Statistics Canada.

→ *Families* are divided into two groups: non-elderly and elderly. The term *elderly* means people 65 years of age or over; the terms *non-elderly* and *working-age* both refer to adults under 65 years of age. A family is

classified as elderly when one or both spouses is age 65 or older. Similarly, families fall into one age category or another on the basis of the age of the older spouse. However, a family is classified as *under 25* only if both adults are under 25 years.

Non-elderly families include couples (both married or common-law) with children and without children. Unless otherwise noted, couples with children include those with dependent children under the age of 18; they may also include couples with older children and/or other relatives living in the household as well if dependent children are present. Similarly, couples without dependent children may also have older children and/or other relatives living in the household.

- The term *lone parent* is synonymous with the common usage of the term *single parent*, but in statistical surveys *single* is sometimes used to denote *never married*, and the authors want to avoid possible confusion. Lone parents in this book include never-married, separated or divorced persons not currently living with a legal or common-law spouse. Additionally, unless noted otherwise, lone parents include *only* those with a dependent child at home under the age of 18 years. Thus, this definition excludes persons who may otherwise be a lone or single parent but whose children are older or who have moved away from the home.

- Because some families do not "fit" the principle categories of this typology, the term *other* is used to refer to these families: lone-parent families with older children living in the household; those in which the relationships are not spouse/spouse or parent/child (for example, families composed of siblings). The families referred to by the term *other* may be of any age.

- To classify households by *age* and *level of education*, Statistics Canada uses the notion of a *head of household*, almost always meaning the male. This book's practice differs. Instead, where two spouses are present, households are classified on the basis of age of the older spouse and the spouse with the highest level of education.

- Unlike Statistics Canada, the classification of *weeks employed* is not according to the head's work experience in households with two spouses. In this and the following chapters, the total number of weeks worked by both adults are added. Consequently, number of weeks *employed* is a combination of the weeks of both spouses, and *full year* means 49 weeks or more.

TABLE 3.2

INCIDENCE AND PERCENTAGE DISTRIBUTION OF LOW INCOME, 1997 (1992 BASE)

	Incidence (%)		Percentage Distribution (%)	
	Families	Unattached Individuals	Families	Unattached Individuals
Total Households (thousands)	1,175	1,633	1,175	1,633
Canada	14.0	39.6	100.0	100.0
Newfoundland	17.7	50.9	2.5	1.1
Prince Edward Island	9.3*	41.3	0.3*	0.4
Nova Scotia	14.9	37.3	3.4	2.6
New Brunswick	13.7	43.7	2.6	2.1
Quebec	16.4	47.4	29.4	31.2
Ontario	12.6	34.7	33.8	30.9
Manitoba	14.9	45.2	3.9	4.4
Saskatchewan	12.9	31.7	3.0	2.8
Alberta	12.7	37.2	8.4	9.1
British Columbia	13.9	38.7	12.5	15.3
Size of community				
500,000 +	16.7	43.1	56.5	58.0
100,000 - 499,000	12.3	36.3	14.0	15.4
30,000 - 99,000	14.5	44.0	8.8	9.4
< 30,000	11.4	36.7	9.0	10.6
rural areas	9.6	26.3	11.7	6.7
Age (a)				
< 25 (b)	46.1	60.7	10.4	17.4
25-34	18.9	30.9	23.2	16.5
35-44	14.7	27.0	28.9	11.4
45-54	9.9	33.9	16.0	10.9
55-64	14.1	46.8	13.9	12.0
65 +	6.8	45.0	7.6	31.9
Age and Sex of Head (a)				
Male	10.2	34.8	63.7	43.7
< 65 years	10.9	35.1	57.5	37.5
65 +	6.3	33.3	6.2	6.1
Female	40.2	44.3	36.3	56.3
< 65 years	43.3	40.9	35.2	30.6
65 +	12.5	49.1	1.1	25.7
Education (c)				
0-8 years	20.5	58.7	13.2	21.6
9-10 years	20.4	51.0	14.3	13.9
11-13 years	16.3	40.5	32.5	24.5
some post-secondary	17.9	45.9	7.4	9.4
certificate/diploma	10.6	31.1	23.8	20.2
university degree	7.7	24.5	8.8	10.5
Family type				
Non-elderly (< 65)				
- couple, no children under 18	10.4	n.a.	28.2	n.a.
- couple, with children under 18	12.0	n.a.	32.2	n.a.
- female lone parent, with children under 18	56.0	n.a.	28.4	n.a.
- male lone parent, with children under 18	23.5*	n.a.	2.2*	n.a.
- unattached individual	n.a.	29.5	n.a.	68.1

TABLE 3.2 (cont'd)
INCIDENCE AND PERCENTAGE DISTRIBUTION OF LOW INCOME, 1997 (1992 BASE)

	Incidence (%)		Percentage Distribution (%)	
	Families	**Unattached Individuals**	**Families**	**Unattached Individuals**
Family type				
Elderly (65 +)				
- couple	6.4	n.a.	6.3	n.a.
- unattached individual	n.a.	57.7	n.a.	31.9
Other	15.5	n.a.	2.8	n.a
Number of earners				
zero	34.4	58.2	39.9	60.9
one	22.2	26.4	36.3	39.1
two	6.2	n.a.	20.1	n.a.
three or more	3.4	n.a.	3.6	n.a.
Weeks employed (d)				
full year (49-52 weeks)	6.4	17.2	32.6	18.8
some	38.6	54.2	23.4	21.3
none	30.5	57.6	44.0	59.9

Notes:
(a) = Age in this instance is that for the older person between head or spouse.
(b) = Under age 25 for families denotes families where both adults are under 25 years.
(c) = Education in this instance is that for the person (head or spouse) with the highest level completed.
(d) = Weeks employed for families is a total of weeks worked by head and/or spouse.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.
See also: Statistics Canada, *Income Distributions by Size in Canada*, 1997, Catalogue No. 13-207, Table 67, pp. 184-187 and Table 68, pp. 188-193.

Table 3.2 shows that among families, the provincial rate of poverty is significantly higher than the average in Newfoundland and Quebec. Families headed by a person with little formal education are also highly susceptible to poverty (20.5 per cent), but not as susceptible as families headed by two persons under 25 years of age (46.1 per cent). The highest rate of all, however, is reserved for families headed by a lone-parent mother with at least one child under 18 years; in this case, the rate is 56.0 per cent.

For unattached individuals, the provincial rates are highest in Newfoundland, Quebec, Manitoba and New Brunswick. Women over age 65 have an almost even chance (49.1 per cent) of being poor simply by virtue of being elderly and unattached as seen when the poverty rates of male and female household heads are compared. Women's segmentation in the labour market, unequal labour force participation, and disproportionate involvement in unpaid domestic work is particularly important in understanding the economic vulnerability of women, especially seniors.[4]

Poverty is, of course, closely associated with employment patterns and the number of earners in a household. A family is five times more likely to be poor if one or

both spouses did not work during the year compared to a family where one or both spouses had at least a total of 49 weeks of employment. One-earner families face almost four times the risk faced by two-earner families. A point of considerable interest is that 32.6 per cent of poor families and 18.8 per cent of poor unattached individuals worked a full year. In spite of their full-time employment effort, these "working poor" were unable to generate incomes equal to the poverty line.

It may startle some readers to realize that poor families have many of the same characteristics as other Canadian families. The "typical" poor family will most likely be found in Ontario and Quebec (33.8 per cent and 29.4 per cent of Canada's total poor in each of these provinces respectively), in the largest cities (56.5 per cent), and among couples with dependent children (32.2 per cent). However, poor families are distinguished by:

- low level of formal education – 36.5 per cent are headed by someone who does not have a high school diploma (data not shown);
- low level of employment – 44.0 per cent had no employment at all.

Trends in Average Incomes

Persistently high rates of poverty mirror broader trends in average income data. Average incomes – before *and* after transfers and taxes – have not recovered from the recession of the early 1990s. Indeed, average income levels are much lower than 1981 levels across all households.

A discussion of income requires a clarification of definitions. Different sources of household income are referred to throughout this book.

- Income before transfers and taxes is referred to as *"market income,"* that is, income derived from private sources such as earnings, self-employment and investments.
- *Transfer income*, as the name suggests, is income from government income security programs such as social assistance or the Canada/Quebec Pension Plans.
- *Total income before taxes* is the sum of market income, government transfers and other money income (i.e., alimony, strike pay from unions, or severance payments).
- *After-tax income* – or the "disposable income" that people use – is the income that individuals and families have at their disposal, after transfers and income taxes.[5]

Table 3.3 and Figures 3.1 and 3.2 show that among all households, average market incomes dropped by almost 10 per cent between 1981 and 1997; unattached individuals experienced a decline of 10.2 per cent, while families experienced a decline of 5.6 per cent (see Table 3.3). The erosion of market incomes – comprised principally of earnings – is the most significant factor behind persistently high levels of poverty. (The erosion of pre-transfer income is explored in Chapter 5.)

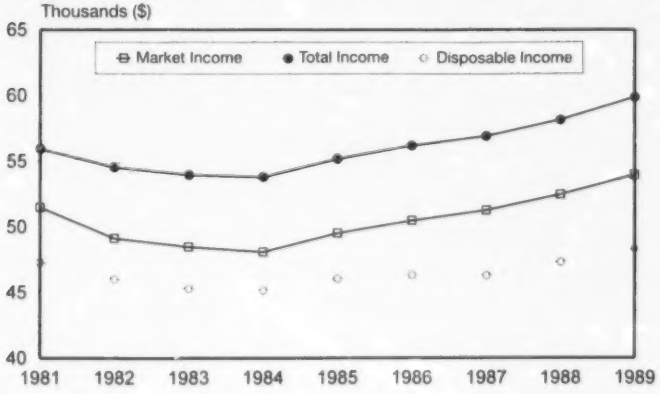
TABLE 3.3
AVERAGE MARKET INCOME AND AVERAGE DISPOSABLE INCOME (1997 $) 1981, 1989 AND 1997

	1981		1989		1997	
	Market Income	**Disposable Income**	**Market Income**	**Disposable Income**	**Market Income**	**Disposable Income**
All Households	$44,808	$41,728	$44,933	$40,998	$40,530	$37,278
Families	$53,710	$49,471	$55,535	$49,774	$50,672	$45,605
Unattached Individuals	$22,162	$22,031	$21,376	$21,498	$19,891	$20,333

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

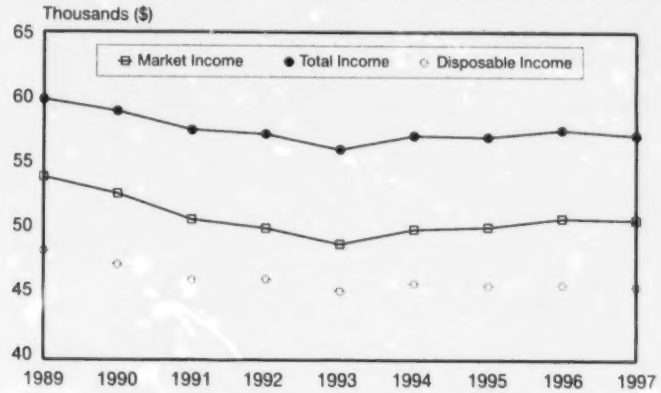
After taxes and transfers, a pattern of decline is still evident. Average disposable incomes of families fell 7.8 per cent over this period, and unattached individuals experienced a decline of 7.7 per cent.

Figure 3.1
Average Market Income, Average Total Income and Average Disposable Income among Families, in constant (1997) dollars, 1981-1989



Source: Statistics Canada, *Income After Tax, Distributions by Size in Canada*, 1997, Text Table VII.

Figure 3.2
Average Market Income, Average Total Income and Average Disposable Income among Families, in constant (1997) dollars, 1989-1997



Source: Statistics Canada, *Income After Tax, Distributions by Size in Canada*, 1997, Text Table VII

Looking at these data more closely in Tables 3.4, 3.5 and 3.6, research reveals that lower-income families were the hardest hit by job loss and instability resulting from the recessions of 1981-1982 and 1990-1991. These tables, calculated in constant 1997 dollars, present average incomes before and after transfer and taxes by quintiles, which are 20 per cent slices of the population ranked according to pre-tax and pre-transfer income (market income).[6] Consequently, each quintile represents the same number of households.

Table 3.4 presents data on market incomes, and shows that average market incomes among all households in the lowest quintile dropped 60 per cent between 1981 and 1997, while those in the highest quintile experienced a very slight increase of 0.8 per cent. The average market incomes of unattached individuals in the bottom quintile effectively became zero (it is actually negative because employment expenses exceeded employment income). In 1997, this group obviously relied solely upon government transfers for income support. Canadians living in low-income families also experienced a serious decline in average incomes, from $9,325 in 1981 to $5,367 in 1997.

Table 3.5 presents data on total income, that is, market income with government transfers added in, but before taxes are deducted. Overall, total incomes declined between 1981 and 1997 among households, families and unattached individuals. Increases in the 1980s were effectively eliminated through the 1990s. Households in the lowest quintile, however, experienced an increase in total incomes, from $12,557 in 1981 to $13,096 in 1997, compared to the results in Table 3.4 showing a decline in market incomes.

Increased total incomes among low-income households are solely the result of higher transfers. The decline in total incomes between 1989 and 1997 across quintiles, however, suggests that transfers are providing a less effective buffer against falling market incomes. This is certainly the case among families; all but top-quintile families suffered a lowering of average total incomes between 1981 and 1997.

TABLE 3.4

AVERAGE MARKET INCOME BY QUINTILE, 1981, 1989 AND 1997 (1997 $)

Market Income Quintile	Families			Unattached Individuals			All Households		
	1981 ($)	1989 ($)	1997 ($)	1981 ($)	1989 ($)	1997 ($)	1981 ($)	1989 ($)	1997 ($)
Bottom	9,325	8,420	5,367	100	77	92 *	3,311	2,798	1,311
Second	33,058	31,698	25,718	5,777	5,727	3,744	21,822	19,544	14,834
Middle	50,168	50,049	44,800	17,164	16,525	14,055	40,178	37,970	32,623
Fourth	67,956	69,650	65,362	31,192	29,782	27,526	59,325	58,404	53,687
Highest	108,048	117,930	112,149	56,607	54,872	54,829	99,415	105,985	100,228
Overall	53,710	55,535	50,672	22,162	21,376	19,891	44,808	44,933	40,530

TABLE 3.5

AVERAGE TOTAL INCOME BY QUINTILE, 1981, 1989 AND 1997 (1997 $)

Market Income Quintile	Families			Unattached Individuals			All Households		
	1981 ($)	1989 ($)	1997 ($)	1981 ($)	1989 ($)	1997 ($)	1981 ($)	1989 ($)	1997 ($)
Bottom	20,014	21,610	19,387	8,510	10,085	10,140	12,557	13,904	13,096
Second	37,822	38,706	33,876	11,086	12,439	11,714	26,649	26,099	22,623
Middle	53,618	54,494	49,695	19,847	20,021	18,284	43,416	42,476	37,546
Fourth	70,438	72,868	68,458	32,194	31,680	29,676	61,899	61,830	57,017
Highest	110,235	120,623	114,347	57,512	55,977	55,726	101,617	108,676	102,529
Overall	58,425	61,647	57,146	25,825	26,022	25,005	49,226	50,591	46,556

TABLE 3.6

AVERAGE DISPOSABLE INCOME BY QUINTILE, 1981, 1989 AND 1997 (1997 $)

Market Income Quintile	Families			Unattached Individuals			All Households		
	1981 ($)	1989 ($)	1997 ($)	1981 ($)	1989 ($)	1997 ($)	1981 ($)	1989 ($)	1997 ($)
Bottom	19,557	20,851	18,815	8,494	10,036	10,051	12,452	13,694	12,897
Second	34,177	34,040	30,011	10,909	11,982	11,287	24,568	23,422	20,559
Middle	46,160	45,140	40,952	18,100	17,522	16,079	37,685	35,747	31,496
Fourth	58,883	58,224	53,920	27,226	25,853	23,979	52,000	49,818	45,316
Highest	88,578	90,660	84,351	45,448	42,162	40,627	81,942	82,333	76,146
Overall	49,471	49,774	45,605	22,031	21,498	20,333	41,728	40,998	37,278

Notes: Numbers may not sum due to rounding.

* Market income is negative in this instance as a result of total employment expenses exceeding total employment income.

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Table 3.6 presents data on average disposable incomes – after taxes and transfers – and shows that households and unattached individuals in the bottom quintile improved their average disposable incomes over the period, while most other quintiles were worse off. However, among families, the average incomes of all quintiles declined. Middle-quintile families experienced a significant drop of 11.3 per cent in their disposable incomes.

Trends in Income Distribution

The principal focus of this book is poverty: the scope of the problem, the factors associated with living in poverty, and its inter-related causes. That is, the book examines what is going on among individuals and families at the bottom of Canada's income ladder. To do so, an understanding of the total distribution of income among Canadians is needed, that is, what is going on at the bottom, the middle and the top of the income ladder. Are more middle-income Canadians slipping down the income ladder? Is distribution of income in Canada becoming more polarized?

Tables 3.7, 3.8 and 3.9 present data on the distribution of Canada's income among quintiles for 1981, 1989 and 1997. As the tables make clear, the distribution is becoming increasingly skewed.

Table 3.7 provides the picture of the relative distribution of market income. Among families, the top quintile received about eleven times the share of market income in 1981 as did the bottom quintile. By 1997, top-quintile families received 21 times the market share compared to bottom-quintile families. But it is not just the bottom quintile of families who fared poorly. The second and middle quintiles both received smaller shares in 1997 compared to 1981. Their losses were captured by the top quintile. Much the same story applies to unattached individuals and all households as well.

Table 3.8 provides a picture of the relative distribution of total income. The addition of transfers to market income makes for a somewhat more equitable distribution of income. However, comparing the ratio of the shares of the top and bottom quintiles over time reveals a deterioration for families, virtually no change for households, and a slight improvement for unattached individuals. Between 1981 and 1997, the ratio of top to bottom share sizes increased from 5.5 to 5.9 for families, diminished from 8.1 to 7.9 for households, and decreased from 6.7 to 5.5 for unattached individuals.

Table 3.9 presents the picture of the relative distribution of disposable income. Predictably, this distribution is more equitable given the additional redistributive impact of the tax system. However, the ratio of the shares of disposable income received by top and bottom quintiles did not improve over time for families, and only slightly improved for unattached individuals and households. Families in the top quintile in 1981 and 1997 had 4.5 times the amount of disposable income as did families in the bottom quintile. Among unattached individuals, the ratio between

top and bottom shares declined from 5.4 in 1981 to 4.0 in 1997. For all households, the ratio between top and bottom shares also declined from 6.6 times to 5.9.

When interpreting the changes in shares in these three tables, a shift of a single percentage point may seem trivial. However, with Canada's 1997 disposable household income totalling $466 billion, each percentage point represents a share of income equal to about $4.7 billion. Thus, top-quintile households increased their share of Canada's disposable income by about $7.5 billion at the expense of all other quintiles except the bottom, whose gain was a little more than $4 billion.

TABLE 3.7
MARKET INCOME SHARE BY QUINTILE, 1981, 1989 AND 1997

Market Income Quintile	Families			Unattached Individuals			All Households		
	1981	1989	1997	1981	1989	1997	1981	1989	1997
Bottom	3.5%	3.0%	2.1%	0.1%	0.1%	0.0%	1.5%	1.2%	0.6%
Second	12.3%	11.4%	10.1%	5.2%	5.3%	3.7%	9.7%	8.7%	7.3%
Middle	18.7%	18.0%	17.7%	15.5%	15.5%	14.7%	17.9%	16.9%	16.1%
Fourth	25.3%	25.1%	25.8%	28.1%	28.0%	26.5%	26.5%	26.0%	26.5%
Highest	40.2%	42.5%	44.3%	51.1%	51.2%	55.1%	44.4%	47.2%	49.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 3.8
TOTAL INCOME SHARE BY QUINTILE, 1981, 1989 AND 1997

Market Income Quintile	Families			Unattached Individuals			All Households		
	1981	1989	1997	1981	1989	1997	1981	1989	1997
Bottom	6.9%	7.0%	6.8%	6.6%	7.8%	8.1%	5.1%	5.5%	5.6%
Second	12.9%	12.6%	11.9%	8.6%	9.5%	9.4%	10.8%	10.3%	9.7%
Middle	18.4%	17.7%	17.4%	15.4%	15.4%	15.2%	17.6%	16.8%	16.1%
Fourth	24.1%	23.7%	24.0%	24.9%	24.4%	22.7%	25.2%	24.5%	24.5%
Highest	37.7%	39.1%	40.0%	44.5%	42.9%	44.5%	41.3%	42.9%	44.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 3.9
DISPOSABLE INCOME SHARE BY QUINTILE, 1981, 1989 AND 1997

Market Income Quintile	Families			Unattached Individuals			All Households		
	1981	1989	1997	1981	1989	1997	1981	1989	1997
Bottom	7.9%	8.4%	8.2%	7.7%	9.4%	9.9%	6.0%	6.7%	6.9%
Second	13.8%	13.7%	13.2%	9.9%	11.1%	11.1%	11.8%	11.4%	11.0%
Middle	18.7%	18.1%	17.9%	16.4%	16.3%	16.5%	18.1%	17.4%	16.9%
Fourth	23.8%	23.4%	23.7%	24.7%	24.1%	22.6%	24.9%	24.3%	24.3%
Highest	35.8%	36.4%	37.0%	41.3%	39.1%	39.9%	39.3%	40.2%	40.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Numbers may not sum due to rounding.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

These data confirm what many have suspected for a long time: the distribution of income is becoming more polarized. Middle-income groups have less of the total economic pie, reflected in their declining share of market and disposable income. But the actual size of the middle class is also shrinking. Table 3.10 presents the proportion of middle-income households – those with income between 75 and 125 per cent of median income – for 1981, 1989 and 1997. The size of the middle-income group fell between 1981 and 1989 by five percentage points. Between 1989 and 1997, the proportion of middle-income Canadians fell again by about one per cent.

TABLE 3.10
PROPORTION FALLING BETWEEN 75% AND 125% OF MEDIAN DISPOSABLE INCOME, ALL HOUSEHOLDS, 1981, 1989 AND 1997

Year	Incomes less than 75% of median income (lower income)	Incomes between 75% and 125% of median income (middle income)	Incomes over 125% of median income (upper income)	Median income (1997 $)
1981	33.2%	32.9%	33.9%	$39,115
1989	35.5%	27.9%	36.6%	$35,015
1997	35.1%	27.1%	37.8%	$31,793

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Summary

Some now believe that Canada is experiencing a return to more "normal" levels of low income and income inequality. Reviewing the historical literature on income distribution in the United States and the United Kingdom, Anthony B. Atkinson argues that income and wage inequality was much more pronounced in the first half of the century. The gains from the post-World War II recovery and subsequent boom through the 1950s and 1960s – broadly shared across income classes – may have been an aberration, that the 1980s and 1990s mark a return to "normalcy."[7]

Whether the growing gap between rich and poor becomes a permanent feature of the Canadian economy and society remains to be seen. It is an important question. But in some respects, it detracts from the causes and solutions to poverty, and suggests that nothing can be done about poverty and inequality. Certainly the scope and depth of poverty in Canada, documented in the following chapters, suggest that much needs to be done to ensure that all Canadians share in the country's great wealth.

Endnotes

1 Statistics Canada, "Labour Force Update: Canada-U.S. Labour Market Comparison, 1989 to 1997," *The Daily*, November 24, 1998, pp. 4-5. Article from *Labour Force Update: Canada-U.S. Labour Market Comparison*, Autumn 1998, Catalogue No. 71-005-XPB. See also Marilyn Manser and Garnett Picot, "Self-employment in Canada and the United States," *Perspectives on Labour and Income*, Vol. 11, No. 3, Autumn 1999.

[2] Poverty data for 1973 were calculated based on household expenditure survey data collected in 1969; data for 1981 were calculated based on the 1978 survey; data for 1989 were calculated based on the 1986 survey; data for 1997 were calculated based on the 1992 survey. See Chapter 2 for a discussion of the relevance of using different base years in calculating poverty data.

[3] According to published data, the lowest point of poverty for all persons was in 1978 when 12.4 per cent of individuals were poor. This rate represented a huge drop in poverty levels, from 23.1 per cent in 1969, the first year low-income data were recorded. Statistics Canada, *Income Distributions by Size in Canada* (Ottawa: 1979), p. 165.

[4] See Clarence Lochhead and Katherine Scott, *The Dynamics of Women's Poverty in Canada* (Ottawa: Status of Women Canada, 2000).

[5] Statistics Canada's after-tax income figures do not identify the individual tax savings that result from tax expenditures such as RRSPs and the Child Care Expense Deduction. These tax measures reduce the amount of tax owing by reducing the value of taxable income. In effect, high-income households are the principal beneficiaries of these measures.

[6] For income comparisons among quintiles, households are ranked on the basis of their pre-transfer income in order to more readily identify the distributional impact of taxes and transfers. The definition of quintiles will be clearly specified throughout the book.

[7] Anthony B. Atkinson, "Bringing Income Distribution in from the Cold," Presidential Address to the Royal Economic Society, United Kingdom. Mimeo, Oxford. Cited in Peter Gottschalk and Timothy Smeeding, "Empirical Evidence on Income Inequality in Industrialized Countries," LIS Working Paper, No. 154, February 1997, p. 31.

With the notable exception of seniors, Canadians have had limited success in tackling the causes or consequences of poverty. Poverty rates in 1997 were higher than in 1981 and in 1989, this book's comparative years of study. The gains of the 1970s have all but been eroded with each passing decade. In particular, a number of troubling trends have reinforced the inequitable distribution of incomes in Canada. The polarization of employment opportunities and job loss as well as the pattern of welfare state restructuring in Canada are related to increased economic insecurity – most graphically summarized in the poverty statistics presented in Chapter 3.[1]

Important socio-demographic changes are also underway. As documented in this chapter, the face of poverty is continuing to change. The growth in poverty among young families is perhaps the most startling development of the past two decades. As well, the barriers to increased economic self-reliance remain high among groups who have always struggled with economic disadvantage – persons with disabilities, Aboriginal peoples and lone-parent families.

The demographics of poverty provide insight into who is poor in Canada, and who is likely to be poor. This information is particularly important in understanding the experience of poverty in Canada: is poverty isolated among selected "high risk" groups or is it a more widespread phenomenon related to rising levels of income inequality and polarization? Is it both? The last section of the chapter addresses these questions.

The Distribution of Poverty

The distributional data summarized in Table 4.1 address the question of who is poor in Canada. A number of key shifts in the composition of poverty are worth noting. The provincial distribution figures, for example, reveal the growth of the number of poor families in the province of Ontario. Although the proportion of Canadian families living in Ontario grew by 1.4 percentage points between 1989 and 1997 (data not shown), their share of poor families increased by 7.2 percentage points.

Age is another significant factor in the changing distribution of poor families. If the experience of poverty was evenly distributed through the population, the share of various groups of poor families and individuals would be expected to be consistent with the population share of these same groups over time. For example, as the number of families headed by young people fell, their population share of the poor would be expected to decline as well. This has not been the case. Between 1989 and 1997, while the population share of young families remained roughly constant, their share of poor families increased by 2.1 percentage points. By contrast, while there was little growth in the population share of elderly families over this period, their share of poor families dropped considerably – from 14.8 to 7.6 per cent.

TABLE 4.1

PERCENTAGE DISTRIBUTION OF LOW-INCOME HOUSEHOLDS, 1981, 1989 AND 1997

	1981 (1978 base)		1989 (1986 base)		1997 (1992 base)	
	Families	Unattached Individuals	Families	Unattached Individuals	Families	Unattached Individuals
Number (thousands)	721	940	786	1,101	1,175	1,633
Characteristic	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Province						
Newfoundland	3.1%	1.2%	2.5%	* 1.0%	2.5%	1.1%
Prince Edward Island	0.6%	* 0.4%	* 0.4%	* 0.4%	* 0.3%	0.4%
Nova Scotia	4.4%	3.3%	3.8%	3.1%	3.4%	2.6%
New Brunswick	4.2%	2.4%	3.1%	2.2%	2.6%	2.1%
Quebec	33.2%	31.5%	30.9%	33.8%	29.4%	31.2%
Ontario	30.4%	32.3%	26.6%	28.7%	33.8%	30.9%
Manitoba	5.0%	4.5%	4.7%	4.5%	3.9%	4.4%
Saskatchewan	4.2%	4.1%	4.2%	3.5%	3.0%	2.8%
Alberta	5.7%	7.5%	10.5%	9.3%	8.4%	9.1%
British Columbia	9.1%	12.1%	12.5%	11.9%	12.5%	15.3%
Size of community						
100,000 +	51.6%	66.3%	63.1%	70.6%	70.5%	73.4%
30,000 - 99,999	9.8%	9.7%	9.3%	9.5%	8.8%	9.4%
< 30,000	16.8%	15.3%	12.9%	13.5%	9.0%	10.6%
rural areas	21.8%	8.7%	14.7%	6.4%	11.7%	6.7%
Age (a)						
Under 25	9.3%	19.6%	8.3%	18.5%	10.4%	17.4%
25-34	25.9%	11.6%	27.7%	13.8%	23.2%	16.5%
35-44	20.3%	5.7%	24.2%	9.2%	28.9%	11.4%
45-54	13.7%	6.4%	12.4%	7.7%	16.0%	10.9%
55-64	14.1%	12.7%	12.7%	13.1%	13.9%	12.0%
65 +	16.6%	43.9%	14.8%	37.7%	7.6%	31.9%
Family type						
Non-elderly couple, no children < 18	13.9%	n.a.	17.1%	n.a.	28.2%	n.a.
couple, with children < 18	39.1%	n.a.	32.4%	n.a.	32.2%	n.a.

TABLE 4.1 (cont'd)

PERCENTAGE DISTRIBUTION OF LOW-INCOME HOUSEHOLDS, 1981, 1989 AND 1997

	1981 (1978 base)		1989 (1986 base)		1997 (1992 base)	
	Families	Unattached Individuals	Families	Unattached Individuals	Families	Unattached Individuals
female lone parent, with children < 18	22.5%	n.a.	26.4%	n.a.	28.4%	n.a.
male lone parent, with children < 18	—	n.a.	* 1.2%	n.a.	* 2.2%	n.a.
unattached individual < 65	n.a.	56.1%	n.a.	62.3%	n.a.	68.1%
Elderly couple	12.0%	n.a.	12.1%	n.a.	6.3%	n.a.
unattached individual 65 +	n.a.	43.9%	n.a.	37.7%	n.a.	31.9%
Other	11.5%	n.a.	10.8%	n.a.	2.8%	n.a.
Education (b)						
0-8 years	31.3%	42.8%	23.6%	34.1%	13.2%	21.6%
9-10 years	21.2%	14.4%	19.2%	15.3%	14.3%	13.9%
11-13 years	28.5%	21.3%	29.4%	20.9%	32.5%	24.5%
some post-secondary	5.5%	8.6%	6.1%	9.4%	7.4%	9.4%
post-secondary cert./diploma	7.5%	7.1%	16.9%	14.9%	23.8%	20.2%
university degree	6.0%	5.9%	4.9%	5.5%	8.8%	10.5%
Weeks employed						
full year	33.3%	13.5%	32.9%	15.4%	32.6%	18.8%
some	26.8%	22.8%	22.5%	23.2%	23.4%	21.3%
none	39.9%	63.7%	44.6%	61.4%	44.0%	59.9%
Number of earners						
zero	35.3%	64.8%	37.7%	62.8%	39.9%	60.9%
one	42.6%	35.2%	36.3%	37.2%	36.3%	39.1%
two	17.6%	n.a.	22.4%	n.a.	20.1%	n.a.
three or more	4.5%	n.a.	* 3.6%	n.a.	3.6%	n.a.

Notes: – Sample too small to provide estimate.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
(a) Age in this instance is that for the older person between head or spouse.
(b) Education is that for the person (head or spouse) with the highest level completed.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

When the age breakdown of the poor is examined, one finding stands out: the growing proportion of poor families in which the older spouse is between the ages of 35 and 44 years. These families constituted 20.3 per cent of all poor families in 1981, 24.2 per cent in 1989, and 28.9 per cent in 1997. The very size of this shift between these different age cohorts points to underlying difficulties experienced by these families in their peak childrearing years in making ends meet through the 1990s.

Female-headed, lone-parent families are far more likely to be poor than are other families. This is reflected in the over-representation of lone mothers among poor families. In 1997, lone mothers with dependent children made up 7.1 per cent of all Canadian families, but 28.4 per cent of all poor families. The proportions of

poor families accounted for by two-parent and female lone-parent families, which were 16.6 percentage points apart in 1981 at 39.1 per cent and 22.5 per cent respectively, have grown closer over the past two decades. By 1997, the difference between the population shares of these two groups was 3.8 percentage points due largely to the growth of lone-parent families. Over the past decade alone, the number of female lone-parent families with dependent children grew by 51.7 per cent (from 393,000 in 1989 to 596,000 in 1997), while the number of poor lone-parent families grew by 60.6 per cent (from 208,000 in 1989 to 334,000 in 1997).

As well, non-elderly couples without dependent children now make up a larger share of poor families. Almost half of poor couples without children are between the ages of 55 and 64 years (43.3 per cent), and 46.5 per cent have no earned income (data not shown). The proportional growth of this group among the poor reflects the deterioration of economic opportunities for individuals in their pre-retirement years.

The 1981 to 1997 period also shows a steady and significant shift in the educational composition of poor families and poor unattached individuals. The proportion of poor families with 0 to 8 years of education fell by over half. The difference was made up mainly by an increase in the number of families with post-secondary diplomas or trades certificates. Although the proportion of poor families with a university degree was still relatively low in 1997 at 8.8 per cent, it had almost doubled since 1989. Similarly, the proportion of poor unattached individuals with a post-secondary diploma or university degree increased from 13.0 per cent in 1981 to 30.7 per cent in 1997. This trend toward higher levels of formal education among the poor – and indeed the general population – extends back to 1973 when Statistics Canada began its annual income survey in its current form. In that year, less than two per cent of poor families were headed by someone with a university degree.

Table 4.1 also shows the distribution of poor families and poor unattached individuals by the number of weeks of employment in 1997. In the case of married and common-law families, the weeks of employment of both spouses are combined. The data dispel a common perception that the poor are unwilling to work. Among poor families, 56.0 per cent performed some employment in 1997, while one-third of poor families had the equivalent of full-year employment (i.e., totalling 49 or more weeks). Because unattached individuals are without spouses, a smaller proportion – only 18.8 per cent – had employment totalling 49 or more weeks. And also unlike poor families, the majority of poor unattached individuals – 59.9 per cent – had no weeks of employment in 1997.

These findings illustrate the importance of having two or more earners in the household in the effort to make ends meet. Table 4.1 shows that the proportion of poor families with two earners increased between 1981 and 1989, as did the proportion of families with no earners. However, it appears that the increase in dual-earner families has reached a plateau. Between 1989 and 1997, the proportion of families with two or more earners – among poor and non-poor – actually fell by a

small amount: by 2.0 percentage points among poor families and by 4.9 percentage points for all families (data not shown). Among poor families, this difference was almost entirely made up by growth in the proportion of families with no earners. These data once again illustrate the difficulty that families have had making ends meet through the 1990s and suggest that the strategy of sending additional earners into the labour market to bolster family finances may have run its course.

What is behind these shifts in the composition of poor individuals and families? A group's share of poor households can grow in two ways: either through increases in its poverty rate or increases in its population share relative to the rest of Canada. In this latter case, the poverty rate may stay the same, but its share of poor would increase simply because its overall population is growing faster than the rest of the country.

Turning to the changing distribution of the poor among provinces, Table 4.2 examines how much of the increase in a province's share of poor families and individuals between 1989 and 1997 was due to changing provincial population distributions and how much was due to changes in poverty rates. In the case of Ontario, which had the largest growth in the share of family poverty through the 1990s (Table 4.1), three-quarters (74.6 per cent) of its increased share of poor families was due to increases in the poverty rate, while one-quarter was due to the fact that Ontario had proportionately more families in 1997 than it did in 1989. Similarly, the growth in the number of poor families in Newfoundland, Nova Scotia, Quebec and Manitoba stems principally from increases in their respective rates of poverty (see Column 4).

TABLE 4.2

THE CAUSES OF CHANGE IN PROVINCIAL POVERTY, 1989-1997

	% Change in Share of Population		% Change in Share of Poor Population		% Increase in Number of Poor due to Population Growth		% Increase in Number of Poor due to Increase in Poverty Rate	
	Families	Individuals	Families	Individuals	Families	Individuals	Families	Individuals
Newfoundland	11.5	16.1	52.6	12.5	20.0	129.0	80.0	- 29.0
PEI	11.8	30.8	—	40.0	—	76.9	—	23.1
Nova Scotia	13.4	27.8	33.3	26.5	40.0	104.9	60.0	- 4.9
New Brunswick	14.3	25.4	29.2	25.0	57.1	101.6	42.9	- 1.6
Quebec	12.5	25.7	41.8	25.9	29.4	99.2	70.6	0.8
Ontario	22.4	31.1	87.7	31.2	25.4	99.8	74.6	0.2
Manitoba	9.0	17.2	21.6	16.4	37.5	104.7	62.5	- 4.7
Saskatchewan	4.6	25.9	6.1	24.3	50.0	106.3	50.0	- 6.3
Alberta	20.8	34.5	19.3	34.5	106.3	99.8	- 6.3	0.2
British Columbia	32.0	40.0	51.0	39.9	64.0	100.3	36.0	- 0.3
Canada	17.9	28.8	50.1	28.9	35.8	99.7	64.2	0.3

Note:

— Sample too small to provide estimate.

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

The situation among poor unattached individuals was somewhat different. The growth in the number of poor individuals was in fact lower than the growth of poor families (28.9 per cent compared to 50.1 per cent). However, most of the growth in this poor population is related to the increase in the number of unattached individuals, and not their incidence of poverty (see Column 3).

The Incidence of Poverty

To discuss the rate of poverty, Table 4.3 is presented to show an overview of the percentage of Canadians living below Statistics Canada's low income cut-offs. A look at poverty rates by province reveals that family poverty rates climbed through the 1990s in most provinces, most notably in Ontario. In 1989, Ontario had the lowest rate of family poverty by a substantial margin; 8.2 per cent of families lived on incomes below the poverty line. By 1997, the rate had climbed to 12.6 per cent, an increase of over 50 per cent. Although Ontario's poverty rate is still among the lowest in Canada, the numbers of people living in poverty have increased greatly.

TABLE 4.3
INCIDENCE OF LOW INCOME BY SELECTED CHARACTERISTICS, 1981, 1989 AND 1997

	1981 (1978 base)		1989 (1986 base)		1997 (1992 base)	
	Families	Unattached Individuals	Families	Unattached Individuals	Families	Unattached Individuals
Characteristic						
Canada	11.3%	37.5%	11.0%	34.4%	14.0%	39.6%
Newfoundland	16.5%	45.1%	13.0%	* 34.9%	17.7%	50.9%
Prince Edward Island	14.5%	* 44.3%	* 9.8%	* 37.3%	* 9.3%	41.3%
Nova Scotia	15.1%	42.3%	12.6%	38.1%	14.9%	37.3%
New Brunswick	17.2%	43.5%	12.3%	38.3%	13.7%	43.7%
Quebec	14.1%	46.6%	13.0%	43.5%	16.4%	47.4%
Ontario	9.5%	34.7%	8.2%	28.5%	12.6%	34.7%
Manitoba	13.7%	37.4%	13.3%	36.5%	14.9%	45.2%
Saskatchewan	12.2%	37.8%	12.7%	32.8%	12.9%	31.7%
Alberta	7.2%	26.5%	12.9%	34.5%	12.7%	37.2%
British Columbia	9.0%	34.0%	12.2%	28.5%	13.9%	38.7%
Size of community						
100,000 +	10.7%	37.5%	12.0%	35.5%	15.6%	41.4%
30,000 - 99,999	12.0%	39.3%	11.3%	39.4%	14.5%	44.0%
< 30,000	11.7%	38.7%	10.4%	34.0%	11.4%	36.7%
rural areas	12.5%	34.1%	8.6%	22.6%	9.6%	26.3%
Age (a)						
< 25	21.7%	38.9%	30.1%	47.9%	46.1%	60.7%
25-34	12.0%	18.4%	14.1%	20.0%	18.9%	30.9%
35-44	10.0%	22.5%	10.1%	22.4%	[illegible]%	27.0%
45-54	8.3%	31.1%	7.1%	29.2%	9.9%	33.9%
55-64	10.3%	41.1%	9.7%	40.3%	14.1%	46.8%
65 +	13.9%	57.7%	10.8%	45.2%	6.8%	45.0%

TABLE 4.3 (cont'd)

INCIDENCE OF LOW INCOME BY SELECTED CHARACTERISTICS, 1981, 1989 AND 1997

	1981 (1978 base)		1989 (1986 base)		1997 (1992 base)	
	Families	Unattached Individuals	Families	Unattached Individuals	Families	Unattached Individuals
Family type						
Non-elderly couple, no children < 18	5.5%	n.a.	6.1%	n.a.	10.4%	n.a.
couple, with children < 18	9.3%	n.a.	8.5%	n.a.	12.0%	n.a.
female lone parent, with children < 18	52.9%	n.a.	52.9%	n.a.	56.0%	n.a.
male lone parent, with children < 18	—	n.a.	*19.3%	n.a.	* 23.5%	n.a.
unattached individual < 65	n.a.	29.5%	n.a.	30.0%	n.a.	37.5%
Elderly couple	12.0%	n.a.	10.3%	n.a.	6.4%	n.a.
unattached individual 65 +	n.a.	57.7%	n.a.	45.2%	n.a.	45.0%
Other	17.7%	n.a.	15.6%	n.a.	15.5%	n.a.
Education (b)						
0-8 years	21.2%	62.6%	18.5%	60.0%	20.5%	58.7%
9-10 years	17.2%	42.1%	15.5%	44.3%	20.4%	51.0%
11-13 years	10.0%	28.8%	11.5%	29.7%	16.3%	40.5%
some post-secondary	7.9%	34.5%	10.4%	38.8%	17.9%	45.9%
post-secondary cert./diploma	5.6%	22.6%	7.6%	22.9%	10.6%	31.1%
university degree	4.8%	17.3%	4.2%	13.6%	7.7%	24.5%
Weeks employed						
full year	5.0%	11.3%	4.9%	11.9%	6.4%	17.2%
some	30.6%	45.0%	30.4%	45.9%	38.6%	54.2%
none	30.5%	66.2%	27.7%	55.4%	30.5%	57.6%
Number of earners						
zero	37.8%	67.8%	32.7%	56.4%	34.4%	58.2%
one	17.3%	20.6%	18.5%	20.7%	22.2%	26.4%
two	4.5%	n.a.	5.3%	n.a.	6.2%	n.a.
three or more	2.8%	n.a.	* 2.1%	n.a.	3.4%	n.a.

Notes:
– Sample too small to provide estimate.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
(a) Age in this instance is that for the older person between head or spouse.
(b) Education is that for the person (head or spouse) with the highest level completed.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Poverty rates also increased among unattached individuals between 1989 and 1997 in eight out of ten provinces, in many instances by significant amounts. Again, the gains between 1981 and 1989 were wiped out in most cases, most notably in Newfoundland, British Columbia and Manitoba. Poverty rates ranged from a high in Newfoundland (50.9 per cent) to a low in Saskatchewan (31.7 per cent).

Chapter 4: The Changing Face of Poverty

One of the more disturbing trends in family poverty is the rapid increase in the rates among Canada's young families over the past two decades. Between 1981 and 1997, the rate of poverty among young families (where both spouses were less than 25 years of age) more than doubled from 21.7 per cent to 46.1 per cent. On the other hand, the poverty rate among elderly families continued to drop: 3.1 percentage points between 1981 and 1989, and another 4.0 percentage points between 1989 and 1997, a reflection of past efforts to increase the living standards of seniors.

As seen in Table 4.1, lone-parent families headed by women made up a disproportionate share of Canada's poor families in 1991. As Table 4.3 shows, their poverty rate was 56.0 per cent. Lone-parent families were more likely to be poor in 1997 than in 1989 or 1981. This result places Canada near the bottom of the international league tables as discussed in greater detail in Chapter 9.

The high incidence of poverty among lone parents cannot be separated from the fact that women as a group are much more likely than are men to be economically disadvantaged. Calculating poverty rates for women and men is difficult because poverty data is based on household income; consequently, the same rate of poverty is attributed to each household member regardless of the distribution of income within the household. Although this is not a problem for unattached individuals or lone-parent mothers, it does present a problem in deriving poverty estimates for women in couple families. Keeping this significant shortcoming in mind, and assuming that all women in couple families share equally in family income, poverty rates for women are still notably higher than they are for men. In 1981, the rate of poverty among women was 17.8 per cent, while men had a rate of 12.6 per cent. By 1989, poverty rates had dropped in response to improved economic conditions (to 15.5 per cent for women, and 10.7 per cent for men). The 1990s wiped out these gains; poverty rates increased again, to 18.3 per cent for women and 14.3 per cent for men. In these calculations, three groups of women explain much of the difference in poverty rates by family type: unattached women under age 65; unattached women over age 65; and lone-parent mothers.

Generally, higher levels of formal education act to reduce the likelihood of being poor. In 1997, 7.7 per cent of families with a university degree were poor; families whose highest level of education was 0 to 8 years faced almost three times the likelihood of poverty (20.5 per cent). However, data for a single year do not show that the ability of a post-secondary education to protect against poverty has diminished over the years. Poverty rates among families with some post-secondary education or those with post-secondary degrees increased through the 1990s, most notably among university degree holders. The likelihood of poverty among those with low levels of education increased as well, but by a smaller amount. The smaller increase among those with the lowest levels of education is explained partly by virtue of their age: these families tend to be older, and poverty rates have declined among elderly families.

As expected, the rate of poverty among families with the equivalent of a full year of employment (i.e., where both partners have combined employment of at least 49 weeks) is much lower than among those families without any employment (6.4 per cent compared with 30.5 per cent in 1997). However, for both groups the chance of being poor has increased since 1989. A similar trend is evident when looking at poverty rates by the number of earners in the family. Families with no earners were less likely to be poor in 1989 than they were in 1981; however, some of these gains were eroded between 1989 and 1997. One likely cause in the deterioration of the economic circumstances of families with no employment income is the erosion of transfer income, especially among non-elderly families. The increase in poverty among families with employment income over the same period mainly reflects the deterioration of labour market conditions.

A More Detailed Examination

The discussion to this point has shown that some population characteristics are more closely associated with poverty than are others. This section uses data from the previous tables, as well as additional survey data, to examine some of the more significant characteristics in greater detail. First, families are examined, then unattached individuals. Using the 1996 Census, estimates of poverty are also included for Aboriginal peoples, persons with disabilities and members of visible minority groups. Lastly, the chapter presents highlights of a Canadian Council on Social Development (CCSD) comparative study of poverty in Canadian cities, again drawing upon the 1996 Census.

FAMILY POVERTY

An aggregate figure such as a poverty rate often hides as much as it reveals. The overall rate of poverty in Canadian families was 14.0 per cent in 1997. However, certain families have a much higher likelihood of being poor than do others. Previously, elderly families were particularly vulnerable to poverty. However, younger families now have a greater risk of poverty, especially those headed by a lone parent. Aboriginal peoples have historically suffered severe economic disadvantage as reflected in persistently high rates of poverty. Thus, it is important to look behind an overall rate to understand the face of poverty.

LONE-PARENT FAMILIES

The proportion of the low-income population consisting of lone-parent families headed by women has grown steadily, from 22.5 per cent of poor families in 1981 to 28.4 per cent in 1997 (see Table 4.1). This phenomenon justifies a closer examination of this group.

The comparison between poor and non-poor lone parents – most of whom are women – could hardly be more striking. Poverty is not determined randomly;

TABLE 4.4

COMPARISON OF POOR AND NON-POOR NON-ELDERLY LONE-PARENT MOTHERS, DISTRIBUTION BY AGE, EDUCATION AND WEEKS EMPLOYED, 1997

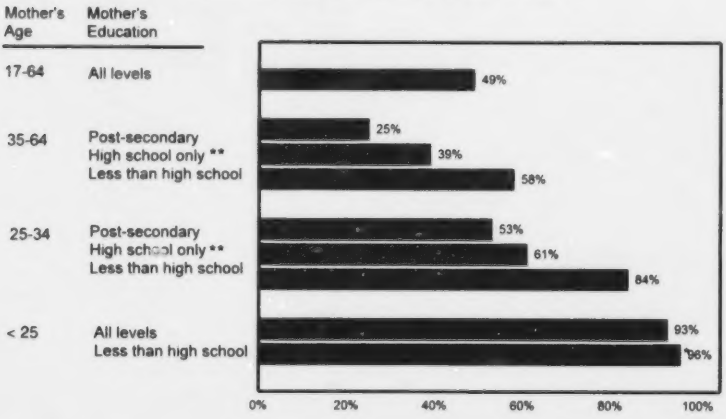
	Non-poor	Poor
Total (thousands)	396	375
Average number of children < 7 years	0.23	0.69
Average number of children < 18 years	0.97	1.50
Characteristic	100%	100%
Age		
< 35	18.0%	48.7%
35-64	82.0%	51.3%
Education		
Less than high school graduate	15.8%	39.9%
High school grad./Some post-secondary	29.8%	32.0%
Post-secondary cert., diploma / Univ. degree	54.4%	28.1%
Weeks employed		
full year	80.4%	18.6%
some	10.5%	25.8%
none	* 9.1%	55.6%

Note:
* Estimate less reliable due to small sample size.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

certain important characteristics, including gender, are strongly associated with poverty. Table 4.4 shows that lone-parent mothers with low incomes, in comparison to non-poor lone-parent mothers: are much younger; tend to have much less formal education; and have more and younger children. These characteristics help explain why poor lone mothers have far less employment activity than do non-poor lone mothers. Nevertheless, roughly one of five poor lone mothers (18.6 per cent) are full-year workers.

Figure 4.1

Poverty Rates among Female Lone Parents, by Selected Age and Educational Characteristics, 1997



Notes: Numbers have been rounded. * Estimate less reliable due to small sample size.
** Including those with some post-secondary education.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Figure 4.1 illustrates the combined effect of the mother's education and age on the likelihood of being poor. Lone-parent mothers in the 35-to-64 age group who have completed post-secondary education have poverty rates that are more in line with those of lone-parent fathers,[1] while single mothers between the ages of 25 and 34 with higher levels of education are somewhat less likely to experience poverty than those who have not graduated from high school. However, young lone-parent mothers under age 25 are at extremely high risk of poverty, regardless of educational standing. These are particularly troubling findings given the solid evidence about the long-term consequences of living in poverty – especially for children in these families as noted in Chapter 1 – and the fact that the number of lone-parent families is increasing.

COUPLES WITH CHILDREN

The proportion of poor families comprised of couples with children account for one-third of all poor families. As seen in Table 4.5, the age profile of poor couples with dependent children is relatively close to the age profile of non-poor families: roughly two-thirds of poor two-parent families and three-quarters of non-poor two-parent families are between the ages of 35 and 64. However, notable differences

TABLE 4.5

COMPARISON OF POOR AND NON-POOR NON-ELDERLY TWO-PARENT FAMILIES, DISTRIBUTION BY AGE, EDUCATION AND WEEKS EMPLOYED, 1997

	Non-poor	Total Poor	Working Poor	Other Poor
Total (thousands)	2,762	378	210	168
Average number of children < 7 years	0.71	0.90	0.88	0.93
Average number of children < 18 years	1.84	2.01	2.04	1.97
Characteristic	100.0%	100.0%	100.0%	100.0%
Age (a)				
< 35	22.6%	31.3%	26.0%	38.0%
35-64	77.4%	68.7%	74.0%	62.0%
Education (b)				
Less than high school graduate	17.8%	31.5%	27.1%	37.0%
High school grad./Some post-secondary	25.7%	27.2%	29.4%	24.4%
Post-secondary cert., diploma / Univ. degree	56.5%	41.3%	43.4%	38.6%
Weeks employed				
full year	95.3%	55.6%	100.0%	0.0%
some	4.0%	25.0%	0.0%	56.4%
none	* 0.7%	19.3%	0.0%	43.6%

Notes:

* Estimate less reliable due to small sample size.

(a) Age in this instance is that for the older person between head or spouse.

(b) Education is that for the person (head or spouse) with the highest level completed.

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

continue between the poor and non-poor regarding education. Table 4.5 shows that the share of poor two-parent families with less than a high school education is substantially higher than that of non-poor two-parent families (31.5 per cent compared to 17.8 per cent). Still, four out of ten poor two-parent families have a post-secondary diploma, certificate or degree.

Not surprisingly, non-poor two-parent families with children are more likely to have full-year employment than are poor two-parent families. Although virtually all non-poor two-parent families have the equivalent of full-year employment, this is the case for only slightly more than half of poor couples with children. This latter group – the working poor – is much more predominant among couples with children than among single-parent mothers (55.6 per cent compared with 18.6 per cent). Even among poor two-parent families who have less than a combined 49 weeks of employment, over half (56.4 per cent) have some employment income.

CHILDREN IN POVERTY

Both the number and percentage of dependent children under the age of 18 living in low-income families increased between 1981 and 1997. All of this increase occurred through the 1990s. Since 1989, the year that the federal House of Commons passed a resolution to eliminate child poverty by the year 2000, the number of children in poverty has grown by 467,000. The rate of child poverty peaked in 1993 (at 21.3 per cent) and has since hovered near the 20 per cent mark, five to six percentage points higher than in 1989.

TABLE 4.6
RATE, NUMBER AND DISTRIBUTION OF POOR CHILDREN, 1981, 1989 AND 1997

	1981		1989		1997	
Rate (%)	14.9%		14.4%		19.9%	
Children (thousands)	964		922		1,389	
	Number (thousands)	**Distribution**	**Number (thousands)**	**Distribution**	**Number (thousands)**	**Distribution**
Characteristic		100.0%		100.0%		100.0%
Family type						
Non-elderly						
Couple with children < 18	625	64.9%	523	56.7%	758	54.6%
Lone parent with children < 18	316	32.8%	374	40.6%	601	43.2%
Other	22	2.3%	25	2.7%	30	2.2%
Family employment						
full year	402	41.7%	375	40.7%	542	39.0%
some	300	31.2%	252	27.3%	345	24.8%
none	262	27.2%	295	32.0%	503	39.0%

Note: Numbers may not sum due to rounding.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Most poor children live in a family that includes two parents, one or two children, and one or two parents in their late 30s who have at least graduated from high school. As noted above, poor families tend to live in larger communities and receive most of their income through employment and/or a combination of employment and income transfers such as social assistance or employment insurance.

The evidence in Table 4.6 shows that the proportion of poor children living in two-parent families fell between 1981 and 1997. The share of poor children living in families with full-year employment – working-poor families – dropped slightly, although their absolute number increased by 140,000 between 1981 and 1997. Consequently, poverty is becoming increasingly concentrated among children living in families with little or no employment income. The growing concentration of children in families that rely principally on income transfers is closely associated with lone-parent families headed by women. Although not shown in the table, 54.3 per cent of the children in transfer-reliant families were in female lone-parent families in 1997. The confluence of socio-demographic and economic change – represented by the increase in lone-parent families and the polarization of incomes and employment opportunities – threatens the economic security of a growing number of children.

The consequences of growing up in poverty are well-documented. As noted in Chapter 1, poor children are less likely to be in good health, achieve their academic potential, or have the opportunities to develop other skills and talents in sports or the arts. The fact that poverty is becoming increasingly concentrated among certain groups is very troubling, especially for the children who inhabit the social and economic margins of Canadian life. Addressing child poverty remains one of the key challenges facing the country in the new millennium.[4]

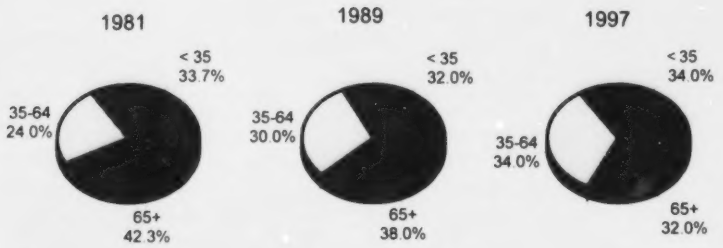
POVERTY AMONG UNATTACHED INDIVIDUALS

For unattached individuals, Figure 4.2 shows that the most striking change in the face of poverty between 1989 and 1997 was the shift in the age composition. In 1981, 43.9 per cent of poor unattached individuals were 65 or older, compared with 37.7 per cent in 1989 and 31.9 per cent in 1997. In contrast, the number of middle-aged individuals living in poverty between 1981 and 1997 increased sizeably, while the proportion of those under age 35 remained roughly constant at about one-third.

Much of the explanation for changes in the incidence of poverty is reflected by shifts in the age composition of the poor. For elderly unattached individuals, the rate of poverty fell from 57.7 per cent in 1981 to 45.2 per cent in 1989, and subsequently hovered at this mark through the 1990s. The largest increases in poverty were recorded for those under age 35: poverty rates increased 21.8 percentage points among unattached individuals under age 25 between 1981 and 1997, and 12.5 percentage points among those aged 25 to 34 years over the same time period

(see Table 4.3). That said, almost half of all elderly individuals over age 65 and individuals aged 55 to 64 years are poor, compared to one-quarter to one-third of those in their peak earning years (between the ages of 25 and 54 years).

Figure 4.2
Composition of Poverty for Unattached Individuals, by Age, 1981, 1989 and 1997



Note: Numbers have been rounded.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

TABLE 4.7
COMPARISON OF POOR AND NON-POOR UNATTACHED INDIVIDUALS UNDER 65 YEARS OF AGE, DISTRIBUTION BY AGE, EDUCATION AND WEEKS EMPLOYED, 1997

	Non-poor	Total Poor	Working Poor	Other Poor
Total (thousands)	1,856	1,113	298	814
Characteristic	100.0%	100.0%	100.0%	100.0%
Age				
< 35	42.3%	49.8%	61.3%	45.5%
35-64	57.7%	50.2%	38.7%	54.5%
Sex				
male	61.2%	55.1%	53.7%	55.6%
female	38.8%	44.9%	46.3%	44.4%
Education				
Less than high school graduate	14.7%	31.6%	17.7%	36.7%
High school grad./Some post-secondary	26.6%	30.3%	35.3%	28.4%
Post-secondary cert., diploma / Univ. degree	58.7%	38.1%	47.0%	34.9%
Weeks employed				
full year	78.2%	26.8%	100.0%	0.0%
some	14.9%	30.9%	0.0%	42.2%
none	6.8%	42.3%	0.0%	57.8%

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Table 4.7 looks at the non-elderly population of unattached individuals in greater detail. It reveals important differences among the poor and non-poor in terms of age, sex, education and weeks of employment. In comparison to the non-poor, poor individuals are: over-represented in the under-35 age category; have lower levels of education; and have worked fewer weeks at a paid job. Interestingly, among poor individuals, those under age 35 are more likely to have at least 49 weeks of employment than are individuals aged 35 to 64 years, while those in the older age group are more likely to rely on income security programs or to have limited employment income (data not shown).

ABORIGINAL PEOPLES

Statistics Canada's annual survey of incomes excludes households on native reserves as well as those in the Yukon, Northwest Territories and Nunavut. Because poverty is higher among the Aboriginal[5] population than it is among the rest of the Canadian population, the consequence of this exclusion is that the various poverty estimates understate the extent of poverty in Canada. Table 4.8 uses data from the 1996 Census of Canada to compare rates of poverty (based on 1995 incomes) among Aboriginal peoples with the rates of non-Aboriginal Canadians, by province. This table graphically reveals the severity of poverty among Aboriginal peoples.

Overall, the rate of poverty among Aboriginal individuals was 43.4 per cent in 1995, over twice the rate of poverty among Canadians who do not claim Aboriginal identity. Rates of Aboriginal poverty were highest in Saskatchewan and Manitoba where over 50 per cent of Aboriginal peoples were poor, followed by Alberta, British Columbia and New Brunswick – all provinces with high concentrations of Aboriginal peoples.

TABLE 4.8
POVERTY RATE AMONG ABORIGINAL AND NON-ABORIGINAL PEOPLES, BY PROVINCE, 1995

Province	Poverty Rate Aboriginal Peoples	Poverty Rate Non-Aboriginal Peoples
Newfoundland	27.5%	21.2%
Prince Edward Island	30.0%	15.2%
Nova Scotia	32.1%	18.7%
New Brunswick	42.7%	18.9%
Quebec	37.0%	23.3%
Ontario	36.2%	17.5%
Manitoba	52.2%	18.1%
Saskatchewan	53.1%	15.5%
Alberta	43.9%	17.5%
British Columbia	42.1%	19.0%
Canada	43.4%	19.3%

Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

PERSONS WITH DISABILITIES

Statistics Canada's annual income survey includes persons with disabilities, but it does not specifically identify them.[6] However, as part of the 1996 Census, Statistics Canada did identify the incomes of individuals with disabilities. The survey defines disability as a long-term condition which limits daily activity at home, at work, at school or in other activities. Given this definition, the Census found that 2.8 million Canadians had a disability, representing 10.0 per cent of the population.

The poverty rate among all persons with disabilities was 30.8 per cent, compared to 18.4 per cent for individuals with no disabilities. Women with disabilities tend to have a higher rate of poverty than do men: 33.1 per cent compared to 28.2 per cent. Among the working-age population (those aged 16 to 64 years), their poverty rate (35.1 per cent) was about five percentage points higher than the rate for all individuals with disabilities.[7]

Table 4.9 presents rates of poverty by disability status and province of residence. Provincial poverty rates of persons with disabilities generally hovered around the national average of 30.8 per cent, with the exception of Quebec, where four out of ten persons with disabilities lived in poverty in 1995. In part, the higher rate of poverty among persons with disabilities in Quebec reflects higher rates of poverty among the general population in Quebec (see Table 4.3). Where general rates of poverty are higher, groups with a high risk of living in poverty tend to do more poorly. Any of the following factors could result in higher rates of poverty among persons with disabilities:

- ➔ these groups have reduced access to paid employment because they tend to be last hired, first fired;
- ➔ companies may not have the resources or the inclination to accommodate persons with disabilities;
- ➔ disability benefits may be lower.

TABLE 4.9
POVERTY RATE BY DISABILITY STATUS, BY PROVINCE, 1995

Province	Poverty Rate Persons with Disabilities	Poverty Rate Persons without Disabilities
Newfoundland	30.3%	20.5%
Prince Edward Island	26.1%	13.9%
Nova Scotia	28.7%	17.2%
New Brunswick	31.5%	17.3%
Quebec	41.2%	22.0%
Ontario	27.3%	16.5%
Manitoba	32.6%	19.1%
Saskatchewan	26.9%	17.3%
Alberta	29.3%	17.2%
British Columbia	29.8%	18.4%
Canada	30.8%	18.4%

Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

VISIBLE MINORITIES

The Census reveals that members of visible minorities experience higher rates of poverty compared to other Canadians.[8] The rate of poverty among visible minority groups is over twice the rate as that for other groups. Poverty among visible minorities varies tremendously across the provinces, ranging from a low of 24.3 per cent in Newfoundland to a high of 52.2 per cent in Quebec, although Newfoundland and Quebec also have the highest rates of poverty among individuals who do not belong to a visible minority group.

TABLE 4.10
POVERTY RATE BY VISIBLE MINORITY STATUS, BY PROVINCE, 1995

Province	Poverty Rate Members of Visible Minority Groups	Poverty Rate Members of Other Groups *
Newfoundland	24.3%	21.4%
Prince Edward Island	28.0%	15.1%
Nova Scotia	37.9%	18.1%
New Brunswick	34.2%	18.9%
Quebec	52.2%	21.5%
Ontario	34.3%	14.6%
Manitoba	31.3%	19.7%
Saskatchewan	29.9%	18.0%
Alberta	31.9%	16.9%
British Columbia	32.0%	16.9%
Canada	35.9%	17.6%

* Groups defined under the *Employment Equity Act* (1986) as being Aboriginal, Caucasian in race or white in colour.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

As with other vulnerable groups, higher rates of poverty result from many interrelated demographic and socio-economic factors, including age distribution of the population, education levels, unemployment rates, labour force participation, occupational segregation and racial or cultural discrimination.

URBAN POVERTY

As already noted, poverty is increasingly an urban phenomenon. In part, this is because of the long-term shift of Canadians from small communities to large urban centres. Stated another way, because the majority of Canadians now live in cities[9] it is not surprising to find that poverty – certainly in terms of sheer numbers – is more prevalent in these localities. But, in addition, according to the 1996 Census, the growth in the rate of urban poverty far outstripped actual population growth. The population in Census Metropolitan Areas (CMAs)[10] on the whole grew 6.9 per cent between 1990 and 1995, while poor populations in these areas grew by 33.8 per cent. In contrast, areas outside of metropolitan areas grew 4.7 per cent, and the poor populations in these areas grew by 18.2 per cent.

TABLE 4.11
POVERTY RATES FOR SELECTED CITIES, ALL INDIVIDUALS, 1995

City	Poverty Rate
St. John's	23.5%
Charlottetown	22.8%
Halifax	24.6%
Fredericton	20.7%
St. John	27.1%
Quebec	34.7%
Montreal	41.2%
Ottawa	28.3%
Toronto	27.6%
Hamilton	27.6%
Windsor	19.6%
Thunder Bay	15.3%
Winnipeg	24.3%
Regina	18.3%
Saskatoon	22.8%
Calgary	20.6%
Edmonton	26.0%
Vancouver	31.0%
Victoria	25.1%

Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

A study of urban poverty by the Canadian Council on Social Development found that variations in poverty rates were substantial among cities in 1995.[11] Table 4.11 presents poverty rates among all individuals for selected cities. Roughly one-quarter of the population in most major provincial centres lived in poverty in 1995, the year of the last Census (see Appendix B). Cities in the province of Quebec tended to have among the highest poverty rates, whereas cities in southern Ontario tended to have the lowest rates. Among cities and regardless of what population group was being examined, Montreal usually had the highest poverty rate and Oakville the lowest (data not shown).

Within CMAs, central cities tend to be home to the highest rates of poverty. Although just over half of metropolitan populations resided in these cities, almost two-thirds of poor CMA populations lived there. In comparison, suburban or adjacent areas within CMAs had lower poverty rates, and had an under-representation of poor populations. Furthermore, the differences in poverty rates between central cities and adjacent areas within the same CMA were often striking. For example, the poverty rate in the city of Toronto was 27.6 per cent, compared to Oakville's rate of 9.9 per cent; both these cities are in the same CMA.

The concentration of poverty within central cities is not the only notable trend over the past two decades. Poverty is increasingly concentrated at the neighbourhood level (data not shown). The number of high-poverty neighbourhoods increased between 1980 and 1995. Although most CMAs have at least some high-poverty neighbourhoods – most being located in Montreal and Toronto – poor families are now increasingly concentrated in these neighbourhoods. Although this concentration of poverty has been acknowledged in the United States, it was long believed that Canadian cities had eluded this problem.

Within cities, as within the country as a whole, members of certain population groups are considerably more likely to be poor than is the average person. The

average poverty rate among all city residents was 24.5 per cent in 1995. In contrast, 62.4 per cent of non-permanent residents (including foreign students and refugee claimants) were living below the poverty line, the highest rate among the groups examined. The next highest poverty rate was among Aboriginal people (55.6 per cent), followed by recent immigrants (52.1 per cent), visible minorities (37.6 per cent) and persons with disabilities (36.1 per cent). As well, poverty rates were relatively high among the young (children and youth) and elderly women. Among households, the average rates of poverty were high among lone-parent families (59.2 per cent) and unattached individuals (45.2 per cent).

A concentration of economically vulnerable groups is one reason for the higher rates of poverty in cities than in other localities. Cities with larger shares of high-poverty groups are more likely to have higher city poverty rates. Research based on the 1996 Census found that relative city poverty rates were influenced the most by the relative number of recent immigrants, persons in a visible minority group, unattached individuals and persons with no annual employment

Concentration of Poverty

One of the explanations put forward as to why poverty has risen over the past two decades is the disproportionate growth of groups at high risk of living in poverty, as evidenced in the CCSD study of urban poverty. Many now question whether this is also true for the country as a whole: Is poverty isolated among selected "high risk" groups or is it a more widespread phenomenon, especially as it relates to working-age poverty?

A 1999 study by Human Resources Development Canada (HRDC) argues that the growth of these groups has been a key factor behind the persistence of high rates of working-age poverty. In particular, the study identifies lone parents, persons with disabilities and recent immigrants as making up a larger share of non-elderly poor families. In 1985, for instance, these three groups accounted for 41.0 per cent of poor families, while in 1997 their share had climbed to 53.9 per cent. These families were more likely to spend longer periods in poverty, and have a weaker attachment to the labour force. This is not to say that all individuals in these families experience poverty or its related consequences. Indeed, factors such as age, visible minority status, marital status and number of children compound the economic disadvantage of lone parents, persons with disabilities and new immigrants. The HRDC study contends, however, that poverty is becoming increasingly concentrated among high-risk groups, and that the development of a Canadian underclass is a real possibility.[12]

The HRDC study raises concerns about the phenomenon of polarization in Canada.[13] Many indicators – not least of which is the increase in poverty among working-age families – point to growing divisions among Canadians regarding their social and economic well-being. These findings must be analyzed carefully, especially when considering anti-poverty measures. In light of these findings, some may argue that what society needs to do is curtail the growth of these high-risk groups: for example, adopt measures that discourage women from having children outside of marriage and/or discourage marital break-up, or alternately, reduce immigration quotas.

Yet the issue at hand is really not about the numerical growth of high-risk groups. This book's analysis shows that growth in poverty, and not population, accounts for higher rates of family poverty over the 1990s. The real issue is why these groups – and working-age families more generally – now experience comparatively high levels of economic disadvantage. This question draws attention to the performance of the labour market and income security programs specifically, and the distribution of opportunities and resources among Canadians more generally. The very complexity of the poor population, illustrated in this chapter, suggests that a multi-pronged approach is needed to address the diverse roots of poverty in Canada.

Summary

The poverty rate among young families, which has risen dramatically over the past two decades, is due to growth in poverty and not population. However, certain groups – persons with disabilities, Aboriginal peoples, visible minorities, lone-parent mothers and unattached individuals – continue to face barriers to increased economic security. Growing levels of education and labour force involvement among poor families do not necessarily raise them above the poverty line. Poverty is becoming increasingly urban and concentrated, which raises concerns about the phenomenon of polarization in Canada.

Endnotes

1. The poverty estimates presented in this chapter are based on Statistics Canada's low income cut-offs. For 1981, the LICO is based on Statistics Canada's 1978 family expenditure survey; the estimates for 1989 use the 1986 base, while the estimates for 1997 use the 1992 base.

2. National Council on Welfare, *Poverty Profile 1997* (Ottawa: 1999), Chapter 8.

3. In an article comparing lone-parent fathers with lone-parent mothers, Oderkirk and Lochhead show that, on average, lone fathers are older and have higher levels of formal education than do lone mothers. Jillian Oderkirk and Clarence Lochhead, "Lone Parenthood: Gender Differences," in *Canadian Social Trends*, Statistics Canada, No. 27, Winter 1992, pp. 16-19.

[4] See Mel Hurtig, *Pay the Rent or Feed the Kids: The Tragedy and Disgrace of Poverty in Canada* (Toronto: McClelland & Stewart, 1999).

[5] For the purposes of this analysis, "Aboriginal" refers to those persons who identify with being Aboriginal. In responding to the 1996 Census, they identified as being North American Indian, Metis, or Inuit. This identity definition of Aboriginal results in a smaller population than the population defined by the ethnic ancestry variable, which was popular in discussions of the Aboriginal population in previous censuses. The ethnic ancestry question asks respondents the ethnic identity of their ancestors, not whether they themselves identify with an ethnic group.

[6] Persons with disabilities are identified based on their response to two Census screening questions:

- Is this person limited in the kind or amount of activity that he/she can do because of a long-term physical condition, mental condition or health problem at home, at school or work, in other activities, for example, in transportation to or from work, or in leisure activities?
- Does this person have any long-term disabilities or handicaps?

[7] Analyzing poverty data for persons with disabilities by age is important. Although both groups experience high rates, the reasons for their economic vulnerability differ.

[8] Visible minority persons are defined under the *Employment Equity Act* (1986) as those (other than Aboriginal persons) who are non-Caucasian in race or non-white in colour.

[9] The term "cities" includes urban areas with populations over 100,000, plus historic or central cities such as the city of Hull.

[10] A Census Metropolitan Area (CMA) is a very large urban area together with adjacent urban and rural areas that have a high degree of social and economic integration with the urban core. A CMA has a population of at least 100,000 people in its urban core, based on the previous Census.

[11] Kevin Lee, *Urban Poverty in Canada: A Statistical Profile* (Ottawa: Canadian Council on Social Development, 2000).

[12] Human Resources Development Canada, Applied Research Branch, "Poverty and Exclusion: Among the Working-Age Population," PowerPoint Presentation, 1999.

[13] See Stephen Scheter and Bernard Paquet, "Contested Approaches in the Study of Poverty: The Canadian Case and the Argument for Inclusion," *Current Sociology*, Vol. 47, No. 3, July 1999. These authors dispute the existence of a "growing underclass" in Canada. On this topic, see also Christopher Jencks, "Is the American Underclass Growing?" in *Rethinking Social Policy: Race, Poverty and the Underclass* (Cambridge, MA: Harvard University Press, 1992).

Since the 1980s, Canadian governments have been shifting responsibility for family economic and social security away from themselves and onto families and individuals. As governments continue to cut back their support for social security programs that were developed throughout the post-war period, families have been pressured to increase their financial self-reliance through their own market earnings. But a heavier reliance on the marketplace begs the question of whether the private sector can actually deliver enough jobs, with adequate earnings, to provide security for all families.

The findings presented in this chapter, as well as other studies, suggest that the labour market has failed to provide all Canadians with economic security, especially through the 1990s.[1] This chapter examines two different dimensions of relationships between poverty and labour market activity.

The first section documents the growing number of "working poor,"[2] defined as non-elderly households (where the eldest member is under the age of 65 years)[3] whose adult members have, between them, at least 49 weeks of either full-time or part-time work during the year.[4] This definition excludes the labour force contributions of dependent children, because much of this work consists of short-time and intermittent employment such as delivering newspapers and bagging groceries after school. This rather rigid definition of "working poor" has been constructed to test the validity of the common assertion that, in an industrialized economy, any household that puts in a full year of employment is unlikely to be poor. Under this assumption, escape from poverty simply means obtaining paid work.

The second section looks at "market poverty" and, in particular, estimates the number of families who are poor *before* public transfers and program benefits are considered. In other words, the section tries to answer the following question: If households received only market earnings (wages and investments), how many would fall below Statistics Canada's low income cut-off? This approach only provides an approximation of the market poverty which might ensue if government benefits were actually withdrawn. It cannot factor in any possible behavioural changes on the part of individuals and families that might result from the actual withdrawal of benefits. However, it does provide a measure of the distribution of the Canadian

labour market's rewards and the key role that governments play through income transfers in redistributing income – a subject taken up in greater detail in Chapter 8.

The next section looks at some of the reasons behind the deterioration of market incomes including low-wage employment, unemployment and access to the labour market. Lastly, the importance of having more than one earner in the household as a buffer against poverty is examined. Again, the findings suggest that this particular strategy may be providing diminishing returns; increasingly, even two-earner families have difficulties in making ends meet.

The Working Poor

Table 5.1 shows that the number of working-poor households increased between 1981 and 1997, growing by 65.9 per cent for families and by 152.5 per cent for unattached individuals, with the greatest increases occurring between 1989 and 1997. This basic indicator reflects the difficulties that Canadians have experienced in accessing and sustaining employment over the 1981-1997 period, especially through the 1990s.

TABLE 5.1
THE WORKING POOR, 1981, 1989 AND 1997

	1981		1989		1997	
	Number	**Rate**	**Number**	**Rate**	**Number**	**Rate**
Working poor						
Families	229,000	4.2%	254,000	4.2%	380,000	5.4%
Unattached individuals	118,000	6.6%	160,000	7.0%	298,000	10.0%
Total households	347,000	4.8%	413,000	5.0%	678,000	6.7%
Share of all non-elderly poor households		30.8%		30.5%		30.8%

Note: Numbers may not sum due to rounding.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

The rate of poverty among households with 49 weeks of employment income is predictably lower than overall poverty rates. For instance, the rate of poverty among all households in 1997 was 22.4 per cent while the rate of poverty among working households was 6.7 per cent. However, like the overall rates, working poverty rates increased over the book's period of study, with the most pronounced increase occurring between 1989 and 1997.

The 1980s and 1990s were decades marked by the highs and lows of the business cycle. The Canadian economy was gripped by recession in the early years of each decade, in 1981-1982 and 1990-1991. However, the 1980s were generally a more

prosperous decade than the 1990s. For example, unemployment rates fell to pre-recessionary levels (7.5 per cent) by 1989 – six years after recessionary highs set in 1983. In contrast, the recovery in the 1990s was much slower. By 1997, the most recent year for which poverty figures are available, unemployment rates were still two full percentage points above the 1989 level at 9.5 per cent. Similarly, annual change in Gross Domestic Product (GDP) was very low through to the mid-1990s – with the exception of 1994. Indeed, it has only been in 1998 and 1999 that economic conditions have improved, reflected in higher productivity growth and lower rates of unemployment.[5]

Other labour market indicators reveal the anaemic character of economic recovery through the mid-1990s. While levels of overall employment inched forward, the employment-to-population ratio showed almost no improvement between 1989 and 1997. By 1997, the employment-to-population ratio was 59.0 per cent, still 3.1 percentage points below the 1989 level. The labour force participation rate also fell each year over this period, from 67.2 per cent in 1989 to 64.9 per cent in 1997. Based on these data, many analysts have characterized much of the 1990s as a period of "job-less growth."

The erosion of employment opportunities has also been accompanied by the deterioration of the quality and security of job opportunities available. Not only has the Canadian economy failed to provide sufficient numbers of adequate employment opportunities, but the existing stock of jobs has become more polarized. Job growth up until 1997 was concentrated in insecure forms of employment. Between 1989 and 1997, for example, self-employment – much of which is very poorly compensated – accounted for 80 per cent of all job growth, while part-time work accounted for all net gains in paid employment. In fact, the number of full-time employees actually declined through the early and mid-1990s.[6] One study concluded that over 45 per cent of the paid labour force and 37 per cent of the prime-aged labour force (between the ages of 25 and 59 years) were "flexible" workers in 1997, workers who by definition have less secure employment and lower wage rates.[7]

Who are the working poor? A distinct profile of the working poor emerges from a comparison of working-poor and non-poor non-elderly households in Table 5.2. In 1997, the working poor resided disproportionately in the prairie provinces and in Ontario. Together, Manitoba, Saskatchewan and Alberta had 16.3 per cent of all non-poor families but 20.8 per cent of all working-poor families, while Ontario accounted for 37.9 per cent of non-poor families and 40.5 per cent of working-poor families. Working-poor families were under-represented in all of the Atlantic provinces, British Columbia and Quebec. Working-poor unattached individuals were over-represented in only Manitoba, Alberta and British Columbia.

TABLE 5.2

COMPARATIVE DISTRIBUTION OF CANADA'S WORKING POOR AND NON-POOR NON-ELDERLY HOUSEHOLDS, 1997

	Families		Unattached Individuals	
	Working poor	Non-poor	Working poor	Non-poor
Number (thousands)	380	6,010	298	1,856
Charcteristic	100.0%	100.0%	100.0%	100.0%
Province				
Newfoundland	—	1.9%	—	0.6%
Prince Edward Island	—	0.5%	—	0.3%
Nova Scotia	2.3%	3.1%	* 2.5%	2.6%
New Brunswick	* 1.8%	2.6%	—	1.6%
Quebec	22.1%	24.7%	23.4%	24.2%
Ontario	40.5%	37.9%	34.0%	37.3%
Manitoba	5.3%	3.5%	4.9%	3.1%
Saskatchewan	3.6%	3.1%	* 2.7%	3.5%
Alberta	11.9%	9.7%	14.0%	10.4%
British Columbia	11.0%	12.7%	16.6%	16.2%
Age (a)				
< 25	6.4%	2.4%	31.5%	9.9%
25-34	23.3%	19.5%	29.8%	32.3%
35-44	37.9%	32.9%	18.6%	27.1%
45-54	21.8%	28.7%	11.8%	18.7%
55-64	10.6%	16.6%	8.3%	12.0%
Family type				
Non-elderly				
couple, no children < 18	26.8%	47.8%	n.a.	n.a.
couple, with children < 18	55.6%	46.4%	n.a.	n.a.
lone parent, with children < 18	17.6%	5.8%	n.a.	n.a.
unattached individual < 65	n.a.	n.a.	100.0%	100.0%
Education				
Less than high school graduate	27.9%	21.2%	17.7%	14.7%
HS graduate / Some post-secondary	30.6%	25.0%	35.3%	26.6%
PS degree, cert., / University degree	41.5%	53.7%	47.0%	58.7%
Number of earners (b)				
zero	—	2.3%	—	6.8%
one	48.9%	19.9%	96.7%	93.2%
two	41.1%	57.9%	n.a.	n.a.
three or more	8.5%	19.9%	n.a.	n.a.
Size of community				
500,000 +	59.2%	47.5%	68.0%	57.4%
100,000 - 499,999	12.4%	15.9%	12.2%	17.2%
urban < 100,000	16.7%	19.1%	15.0%	16.3%
rural areas	11.8%	17.6%	4.9%	9.2%

Notes:

n.a. = not applicable.

— Sample too small to provide estimate.

* Estimate less reliable due to small sample size.

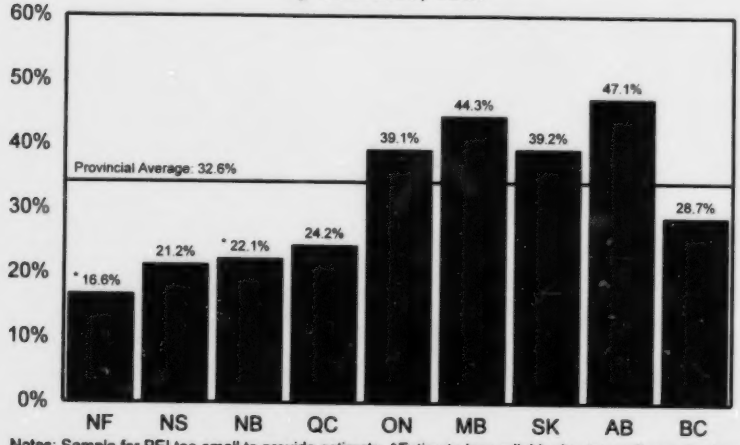
(a) Age is based on the older person between head and spouse.

(b) Figures for working-poor families and working-poor individuals do not necessarily sum to 100% due to the small number of cases involving respondents who satisfy the definition of "working" but not the definition of "earner" for the reference year. These could include those who are on maternity leave, involved in a labour strike or lockout, or on leave due to long-term illness.

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

It is important to note that the over-representation of the working poor in some provinces is not simply a function of high rates of poverty in general. For example, in 1997, Manitoba and Newfoundland had family poverty rates higher than the national average (14.0 per cent) at 14.9 per cent and 17.7 per cent respectively, but as Figure 5.1 shows, 44.3 per cent of Manitoba's poor families were working-poor compared with only 16.6 per cent of Newfoundland's poor families.

Figure 5.1
Working-poor Families as a Percentage of All Poor Families, by Province, 1997



Notes: Sample for PEI too small to provide estimate. *Estimate less reliable due to small sample size.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Another important feature of working-poor households is that they possess, on average, less formal education than do non-poor households. The differences, however, are not as large as one might expect: 41.5 per cent of working-poor families and 47.0 per cent of working-poor unattached individuals had graduated with a post-secondary diploma, certificate or degree, compared with 53.7 per cent of non-poor families and 58.7 per cent of non-poor unattached individuals (see Table 5.2).

Age also distinguishes the working poor, especially in the case of unattached individuals. In 1997, the proportion of working-poor unattached individuals under age 25 was over three times as large as the proportion of non-poor individuals under age 25. Working-poor families were on average younger than non-poor families. About two-thirds of poor families were under 44 years of age, compared to 54.8 per cent of non-poor families.

Working-poor families are also distinguished by the fact they are less likely to be dual earners than are non-poor families. Only half of working-poor families were represented by two or more earners in 1997 compared with over three-quarters of non-poor families. Families with dependent children were also more likely to be working poor than those without children. Couples with dependent children and lone-parent families made up a larger proportion of non-elderly families among the working poor than among the non-poor.

Roughly 56 per cent of all non-elderly working-poor families consists of couples with dependent children, and the information in Table 5.3 focuses on this large sub-group. The data show that working-poor couples with children:

- ➔ are slightly younger than non-poor couples with children (26 per cent compared to 23 per cent);
- ➔ are less likely to possess a post-secondary certificate or degree;
- ➔ have slightly more children on average than do non-poor families;
- ➔ are much more likely to be one-earner families;
- ➔ have fewer weeks of employment;
- ➔ are much more likely to live in large urban centres compared to non-poor families;
- ➔ are concentrated in Ontario – almost half (45.2 per cent) of all working-poor families with dependent children live in Ontario. Just as a greater proportion of Canada's poor now live in Ontario compared to the 1980s and early 1990s, a larger share of working-poor families live in Ontario.

Market Poverty

The most recent data demonstrate that Canadian families differed markedly in their capacity to derive enough income from the labour market to attain an adequate standard of living. Some families were far more vulnerable to market poverty than others. By examining the degree of vulnerability among different groups, families that are most likely to be adversely affected by precarious labour market conditions can be identified.

The above analysis identified the growing numbers and composition of the working poor by looking at the characteristics of poor households who have employment income. This suggests that employment alone does not necessarily provide an effective buffer against poverty. Another way of looking at whether the labour market is providing adequate employment at decent wages – the most effective

TABLE 5.3

DISTRIBUTION OF WORKING POOR AND NON-POOR COUPLES WITH CHILDREN, BY SELECTED CHARACTERISTICS, 1997

	Working Poor	Non-poor
Number (thousands)	210	2,782
Characteristic	100.0%	100.0%
Province		
Newfoundland	—	2.2%
Prince Edward Island	—	0.5%
Nova Scotia	* 2.1%	6.2%
New Brunswick	—	2.5%
Quebec	20.4%	23.3%
Ontario	45.2%	38.6%
Manitoba	5.3%	3.6%
Saskatchewan	* 2.4%	3.3%
Alberta	* 9.5%	10.1%
British Columbia	* 11.8%	12.2%
Age (a)		
< 35	26.0%	22.6%
35-44	48.6%	50.0%
45-54	21.4%	24.2%
55-64	—	3.2%
Education		
Less than high school graduate	27.1%	18.1%
HS graduate / Some post-secondary	29.4%	25.6%
PS degree, cert. / University degree	43.4%	56.3%
Number of earners (b)		
zero	—	0.6%
one	43.8%	15.5%
two	44.8%	63.2%
three or more	9.9%	20.7%
Size of community		
500,000 +	65.1%	45.7%
100,000 - 499,999	9.9%	15.5%
urban < 100,000	12.0%	19.7%
rural areas	13.1%	19.2%
Average weeks of employment	69.9	85.2
Average earnings (c)	$15,423	$62,262
Average number of children < 18	2.04	1.81

Notes:

— Sample too small to provide estimate.

* Estimates less reliable due to small sample size.

(a) Age is based on the older person between head and spouse.

(b) Figures for working-poor families and working-poor individuals do not necessarily sum to 100% due to the small number of cases involving respondents who satisfy the definition of "working" but not the definition of "earner" for the reference year. These could include those who are on maternity leave, involved in a labour strike or lockout, or on leave due to long-term illness.

(c) Average earnings of head and spouse combined.

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

anti-poverty strategy – is to examine the poverty rate based on private sources of income alone, excluding the impact of public income transfers.[8]

Chapter 5: The Working Poor and Market Poverty

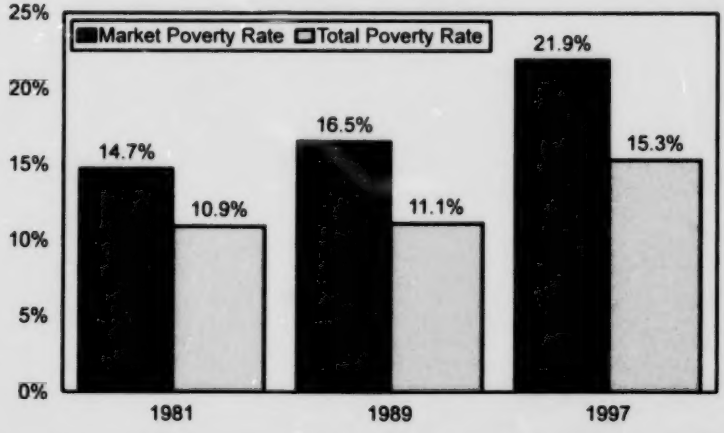
Data on market poverty over time and for selected demographic groups are presented below. Table 5.4 shows that if only market earnings were considered, almost 1.6 million Canadian working-age families (or 21.9 per cent) would have been poor in 1997. After government transfers are factored in, 15.3 per cent (or a total of 1.1 million families) remained poor.[9]

TABLE 5.4
MARKET POVERTY AMONG WORKING-AGE* FAMILIES, CANADA, 1981, 1989 AND 1997 (1997 $)

	1981		1989		1997	
	Market Poor	Total Poor	Market Poor	Total Poor	Market Poor	Total Poor
Per cent of families	14.7	10.9	16.5	11.1	21.9	15.3
Number of families	808,000	601,000	996,000	670,000	1,553,000	1,086,000
Average poverty gap	$10,253	$7,797	$10,757	$8,263	$11,982	$9,082
Total poverty gap (billions)	$8.3	$4.7	$10.7	$5.5	$18.6	$9.9

Note: *Working-age families are those in which the head and spouse (if present) are both less than 65 years of age.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Figure 5.2
Market Poverty and Total Poverty among Working-age Families, 1981, 1989 and 1997



Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

The rate of market poverty among Canadian families increased between 1981 and 1997. In fact, it increased by almost 50 per cent, representing a numerical increase of roughly 750,000 market-poor families. As a point of comparison, the rate of total poverty among working-age families increased by 40.4 per cent over this period, an increase of 485,000 families. The difference in poverty rates based on market income and total income reveals how important government transfers are in reducing the incidence of poverty.

TABLE 5.5
INCIDENCE OF MARKET POVERTY AMONG WORKING-AGE FAMILIES, BY FAMILY TYPE, AGE GROUP AND EDUCATION, CANADA, 1997

Characteristic	Rate
All families	21.9%
Family type	
Non-elderly	
Couple without children < 18	16.0%
Couple with children < 18	18.7%
Lone parent with children < 18	59.9%
Other with children < 18	46.1%
Age *	
< 35	30.3%
35-64	19.2%
Education **	
Less than high school graduate	34.0%
High school grad. / Some post-secondary	24.1%
Post-secondary cert., diploma / Univ. degree	15.1%

Notes:
* Age is based on the older person between head and spouse.
** Education is that for the person (head or spouse) with the highest level completed.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Economic vulnerability hinges on a number of factors. For example, Table 5.5 shows, among the population of lone parents, that 59.9 per cent were market poor in 1997, compared to 18.7 per cent of two-parent families with children. Table 5.5 clearly shows that lone-parent families – almost all headed by women – were more vulnerable to market poverty than were couple families. This is not a surprising finding because lone-parent families are limited to one adult wage-earner. The seriousness of this high incidence of market poverty must be stressed: lone-parent families constitute only 10.9 per cent of *all* non-elderly families in Canada but make up 28.5 per cent of *all market-poor* families.

In general, younger workers will advance from the lower echelons of the career ladder as they age due to the development of skills, on-the-job training and increased work experience. However, a cessation of this process appears to occur around age 55 – reflecting in part the growing prevalence of early retirement, both voluntary and involuntary (data not shown).[10] A consequent effect of this is a loss of market income.

The incidence of market poverty tends to decline steadily as the family members' levels of education rise. One-third of all working-age families where the adult(s) had less than a high school education were market poor in 1997, compared to one-sixth of families where one or both adults had a post-secondary diploma or degree.

Reasons Behind the Growth of Market Poverty

The analysis for this book has shown that the labour market has failed to provide a great many Canadians with the opportunities and wages to sustain their families, especially during the 1990s. The following section provides a more detailed analysis of the reasons behind the growth of market poverty, focusing on:

- low wages;
- unemployment;
- periods of time spent outside the labour force (neither employed nor actively seeking work).[11]

LOW-WAGE EMPLOYMENT

The authors' analysis of the factors underlying market poverty raises serious questions about the assumption that a family cannot be poor if it has at least one adult employed year-round. Quite simply, many jobs do not pay high enough wages to provide even full-time workers with sufficient income to adequately support their families. Approximately 622,300 families were market poor in 1997, even though they had at least one supporting adult who had worked all year. And about 390,100 families were market poor despite having had two supporting adults work all year. The expectation that these families could become even more self-reliant through labour market participation seems unrealistic, given the employment load they were already bearing. The primary contributor to their market poverty was not the number of hours being worked, but rather the hourly wages being earned.

One way to assess the impact of low-wage employment in Canada is to review changes in minimum-wage rates across the country. The level of the minimum wage is important not only to minimum-wage workers, but also to those whose wages are $2 to $3 above the minimum rate. By establishing the level of the bottom rung on the income ladder, the minimum wage greatly influences the levels of the next few rungs as well. Thus, changes in minimum-wage rates provide a partial explanation of changes in market poverty.

Over the past 20 years, minimum-wage rates across the country have not kept pace with inflation; consequently, they now provide far less purchasing power. Table 5.6 shows the extent of this decline. Between 1976 and 1998, the annual earnings received by full-time, full-year workers employed at minimum wage eroded in every province with the exception of Nova Scotia and Newfoundland. (All figures are in constant 1998 dollars.) In Prince Edward Island, New Brunswick, Manitoba, Saskatchewan and Alberta, minimum wage incomes declined by over 20 per cent during this period.

TABLE 5.6
ANNUAL MINIMUM-WAGE INCOME* BY PROVINCE, 1976 AND 1998/99 (1998 $)

	1976	1998/99**	% Change
Newfoundland	10,285	10,920	6.2%
Prince Edward Island	14,607	11,232	-23.1%
Nova Scotia	10,285	11,440	11.2%
New Brunswick	15,165	11,440	-24.6%
Quebec	17,253	14,352	-16.8%
Ontario	15,835	14,248	-10.0%
Manitoba	16,724	12,211	-27.0%
Saskatchewan	17,040	12,211	-28.3%
Alberta	16,502	12,008	-27.2%
British Columbia	18,257	14,872	-18.5%

Notes:
* Assumes earners were employed 40 hours per week, 52 weeks of the year.
** Minimum-wage rates in 1999 for Manitoba, Saskatchewan and Alberta are expressed in 1998 dollars.
Source: Tabulations by the authors using Labour Canada's fact sheet "Minimum Wage Rates for Experienced Adult Workers" (January 1999; March 1996) and Statistics Canada's *Income Distributions by Size in Canada*, 1994 and 1997.

The inadequacy of income from minimum-wage employment is readily apparent when measured against Statistics Canada's Low Income Cut-offs (LICOs) in Table 5.7. Consider, for example, a lone parent with one child. Setting aside the issue of affordable and available child care, a lone parent who was employed full-time for a full year at a minimum-wage job would fall $4,135 below the poverty line in British Columbia and $7,500 to $8,000 below in the Atlantic provinces. Trying to support more than one dependent person on a minimum wage would result in a even greater shortfall in earnings.

TABLE 5.7
ANNUAL MINIMUM-WAGE INCOME MEASURED AGAINST LOW INCOME CUT-OFFS (LICOs), BY PROVINCE, 1998

	Lone parent (one earner) with one child		One-earner couple with two children	
	Difference between minimum-wage income & LICO*	Minimum-wage income as % of LICO	Difference between minimum-wage income & LICO*	Annual minimum-wage income as % of LICO
Newfoundland	-8,087	57	-17,694	38
Prince Edward Island	-7,642	60	-17,183	40
Nova Scotia	7,567	60	-17,174	40
New Brunswick	-7,567	60	-17,174	40
Quebec	-4,655	76	-14,262	50
Ontario	-4,759	75	-14,366	50
Manitoba	-6,796	64	-16,403	43
Saskatchewan	-6,796	64	-16,403	43
Alberta	-6,999	63	-16,606	42
British Columbia	-4,135	78	-13,742	52

Note: *This difference is calculated as the low income cut-off minus the total income of workers employed 40 hours per week, 52 weeks per year at the minimum wage in each province. Poverty lines are for urban centres with populations of 100,000 to 499,999 (1992 base), except in PEI, where poverty lines are for urban centres with populations of 30,000 to 99,999.
Source: Tabulations by the authors using Labour Canada's fact sheet "Minimum Wage Rates for Experienced Adult Workers" (January 1999) and Statistics Canada's *Income Distributions by Size in Canada*, 1997.

In most provinces, for a family of four (a couple with two children), a full year of minimum-wage employment for one earner would leave them at least $13,700 below the poverty line. In other words, for these families, one worker earning a minimum wage all year would only bring home between 38 and 52 per cent of the income necessary to raise the family out of poverty.[12]

UNEMPLOYMENT

In 1997, a total of 890,000 Canadian families were market poor because at least one supporting adult was in the labour force, but was unemployed for all or part of the year. Most of these individuals were unemployed for long periods of time, often for more than half the year. The long duration of their job searches testifies to their willingness and commitment to find paid employment. Although the willingness to take paid employment was widespread, the opportunities to do so were not.

The employment picture in Canada during the period of study was bleak for many Canadians. In 1981, the official unemployment rate was 7.5 per cent, the lowest rate of unemployment recorded between 1981 and 1997. Only recently, in 1999, did unemployment drop below this level. Despite the downward trend in unemployment rates, many remain concerned about the employment prospects of Canadians. For instance, the number of discouraged workers – those who have given up the job search – and workers who would prefer full-time employment remains high. When discouraged workers are added to the unemployment rate (9.2 per cent in 1997), the rate of unemployment rises to 9.9 per cent. If the under-employed – those who worked part-time but wanted full-time work – are considered, the true unemployment rate in 1997 jumps to 15.2 per cent. By comparison, the official unemployment rate in 1981 was 7.5 per cent, while the rate of unemployment was 10.2 per cent when discouraged and underemployed workers are taken into account.[13]

Another indication of the precarious state of employment can be seen in the average number of weeks that people are unemployed – referred to as the average duration of unemployment. In 1981, the average duration of unemployment was 15.1 weeks; by 1997, it was 22.3 weeks. By the mid-1990s, the average duration of unemployment was higher than it had ever been, even during the severe recession of 1981-1982. Through the 1990s, shrinking unemployment benefits and a tightening of eligibility for benefits have compounded the negative effects of unemployment on family incomes.

If families are to derive a greater share of their economic security from the marketplace, Canada's unemployment problem must be addressed.

ACCESS TO THE LABOUR MARKET

To eliminate market poverty, individuals must first be able to enter the paid labour force. However, as documented in this book, access to the labour market remains

a difficult challenge for some segments of the population. Mothers of young children, persons with disabilities and older workers are examples of three groups who face particular difficulties in obtaining paid work.

PARENTS

In 1997, there were over 650,000 market-poor families in which at least one of the supporting adults – usually a woman – was engaged in family responsibilities throughout all or part of the year. For many of these women, staying home to raise their children was less costly than taking paid employment. As documented in *The Progress of Canada's Children 1996*, produced by the Canadian Council on Social Development (CCSD), "high-quality infant or toddler care can cost $1,200 a month in some parts of Canada."[14] This makes it difficult for people to find a job that pays well enough to cover their child-care costs and other expenses, and still have some money left at the end of the month.

With the declining number of extended families and greater geographic distances between family members, child care that is provided by relatives – which is not necessarily free – is not an option for most households. In 1996, of the two million children under 12 years in non-parental child care, only 19 per cent were cared for by a relative other than a sibling, while 16 per cent were cared for by a sibling.[15] The rest of the children were cared for by a non-relative, either in a family home day care, a child-care centre, or under some other care arrangement. Moreover, subsidized child-care spaces for low-income families, although available in all provinces, tend to be limited in number and targeted to families with very low incomes. A woman with one child and a husband earning low wages would probably qualify for a partial subsidy only, if at all.

PERSONS WITH DISABILITIES

Access to the labour market remains a major problem for persons with disabilities. According to the 1996 Census, the labour force participation rate of persons with disabilities aged 15 to 64 years was far lower than among persons without disabilities – 43.1 per cent, compared to 78.4 per cent. Despite their relatively low participation rates, many persons with disabilities who were not in the paid labour force demonstrated both a capacity and willingness to work. For instance, findings from the 1991 Health and Activity Limitation Survey reveal that 20 per cent of individuals with disabilities were engaged in voluntary activities during the year, while the majority (56 per cent) said they were acquiring skills that would be useful in finding paid employment. Almost one-fifth of those who were not in the labour force (17 per cent) said they intended to look for work in the following six months.[16]

Yet access to the labour force remains a problem for many persons with disabilities because of their family responsibilities, a lack of accessible transportation, the need for job redesign or modified work hours, fears of being isolated on the job, and other factors. As documented by CCSD researcher Gail Fawcett in *Living with Disability in Canada: An Economic Portrait*, many persons with disabilities are excluded from the labour force, not because of the disability itself, but because the labour market environment prohibits them from participating.

OLDER WORKERS

Exclusion from the paid labour force has also become a pressing issue for older workers. In 1997, male spouses in over 129,000 market-poor families reported that they were "retired or voluntarily idle." The vast majority of these men were between the ages of 55 and 64 years. Given that their families were market poor, it seems unlikely that most of these men left the labour force voluntarily. A CCSD study of retirees revealed that about one-quarter of retirees in 1991 reported that they had left the labour force involuntarily, often because of a job loss or health problems.[17] Other retirees left "voluntarily," but they may have been given little choice but to accept an early retirement package. Finding other employment can pose unique problems for older workers; they often have lower literacy skills, fewer years of formal education, and obsolete job skills. These factors, coupled with age discrimination on the part of some employers, likely force many people to retire before the age of 65, even though they face market poverty.

The Number of Earners and Poverty

One of the more dramatic trends of the post-war period has been the tremendous increase in women's labour force participation. In 1961, roughly one-third of women over the age of 15 years (29.5 per cent) were active in the labour market. By 1997, the labour force participation rate of women had risen to 57.4 per cent, an increase of almost 100 per cent since 1961.[18] The most marked increase in labour force participation has been among married women. In 1961, only two in ten married women were active in the labour force. By 1997, that figure had risen to six in ten. During the 1960s, childbirth was often followed by a sustained absence from the labour force. Today, however, women are returning to the labour force sooner. For example, the participation rate of mothers with pre-school children (under 6 years) has increased dramatically from 35.6 per cent in 1976 to 66.1 per cent in 1997. The increase for women with at least one child between 6 and 15 years (and no pre-school children) was almost as dramatic – increasing from 50.1 per cent in 1976 to 77.7 per cent in 1997.[19]

Growing numbers of women working outside the home have not only changed the face of the labour market, but transformed the family household as well. In less than a generation, dual-earner families have become the norm. In 1997, seven in ten non-elderly families had two or more earners in the household, while 23 per cent of families relied on a single income earner. Indeed, among dual-earner couples with dependent children, both spouses were employed full-time in 60 per cent of these households. Even among lone-parent families, the majority of parents (largely mothers) were employed: 51.4 per cent worked full-time and 18.4 per cent worked part-time. The predominance of the "traditional" male breadwinner family model has clearly been displaced.

Although a number of factors are behind the large-scale entry of women into the paid labour force, economic need is one of the most important. Sending additional earners into the labour market has been a particularly important strategy for low-income families, as the data amply illustrate.

Table 5.8 demonstrates the increasing importance that the number of earners has in distinguishing between poor and non-poor couples under the age of 65. In this table, the definition of "earner" includes only those who have been employed for 26 or more weeks (full- or part-time) during the year, and excludes the earnings of dependent children. In 1997, 67.0 per cent of non-poor couples had two earners, compared to only 18.6 per cent of poor couples. Moreover, although the proportion of one-earner couples declined among both poor and non-poor couples between 1981 and 1989, among poor couples this reduction was offset by equivalent increases in the proportion of both no-earner and two-earner couples. Among non-poor couples it was offset almost exclusively by an increase in the proportion of dual earners. A couple's chances of being poor are greatly reduced if both spouses manage to find and hold employment.

TABLE 5.8

A COMPARISON OF POOR AND NON-POOR NON-ELDERLY COUPLES, BY NUMBER OF EARNERS*, 1981, 1989 AND 1997

Number of earners	1981		1989		1997	
	Poor	Non-poor	Poor	Non-poor	Poor	Non-poor
zero	34.5%	3.5%	39.5%	4.8%	43.0%	4.7%
one	49.1%	43.6%	37.1%	31.1%	38.4%	28.3%
two	16.4%	52.9%	23.4%	64.1%	18.6%	67.0%

Note:* Earners having worked 26 or more weeks.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Table 5.9 provides further confirmation of this conclusion. It presents all of the possible combinations of employment in a two-adult household and shows how the proportion of households associated with each combination has changed over time. In Table 5.9, "full-time/full-year" refers to a person who was employed for 30 or more hours per week for at least 49 weeks in the year; those persons with less than full-time full-year employment are included in the category "other employment."

The first three figures in the first row indicate that, in 1981, 5.9 per cent of all poor couples consisted of two full-time/full-year earners; 11.6 per cent consisted of men who worked full-time/full year with female spouses who had less than 49 weeks of full-time employment; and 21.5 per cent consisted of full-time/full-year male spouses with female partners who did not have employment income during the year. The 39.0 per cent figure in the total male column indicates that this proportion of all poor male spouses was employed full-time/full-year. The figures at the bottom of each column for each year represent the total distribution of women's employment. Looking again at poor families in 1981, 9.3 per cent of female spouses worked full-time/full-year, 28.1 per cent had "other" employment, and 62.5 per cent had no employment.

Table 5.9 provides the data needed to answer three related questions:

- How do the employment patterns of poor couples differ from those of non-poor couples?
- Have there been any changes in the employment patterns of poor couples between 1981, 1989 and 1997?
- Are the trends in employment patterns among poor couples different from those among non-poor couples?

The labour force activity of female spouses is one important feature that distinguishes poor from non-poor couples. In 1997, the women in non-poor families were almost five times more likely to have worked full-time/full-year than their poor counterparts (47.2 per cent compared to 9.9 per cent). But it is not only women's employment that sets non-poor apart from poor. Among poor couples in 1997, only 29.1 per cent of men were employed full-time/full-year compared to 77.5 per cent of non-poor male partners. As a result of these differences, the situation where both spouses are full-time/full-year workers is relatively rare among poor couples (4.8 per cent), while it is the most common employment pattern among non-poor couples (38.2 per cent). However, even though poor couples are unlikely to have two full-time/full-year workers, seven out of ten had at least some amount of paid employment.

Since 1981, the employment patterns of poor couples have undergone significant changes, including the decline in the proportion of "male-breadwinner/female-homemaker" couples. In 1981, 45.2 per cent of poor couples were composed of

TABLE 5.9

EMPLOYMENT PATTERNS OF SPOUSES IN POOR AND NON-POOR NON-ELDERLY FAMILIES, 1981, 1989 AND 1997

Poor Couples

Employment of Female Spouse

Employment of Male Spouse		Full-time / Full-year	Other Employment	No Employment	**Total Male**
		per cent			
1981	Full-time / Full-year	5.9%	11.6%	21.5%	39.0%
	Other employment	—	12.5%	23.7%	37.8%
	No employment	—	4.0%	17.4%	23.2%
	Total: Female	9.3%	28.1%	62.5%	100.0%
1989	Full-time / Full-year	8.3%	13.3%	15.7%	37.3%
	Other employment	4.5%	14.0%	15.0%	33.5%
	No employment	n.a.	4.2%	24.3%	29.2%
	Total: Female	13.5%	31.5%	55.0%	100.0%
1997	Full-time / Full-year	4.8%	10.0%	14.2%	29.1%
	Other employment	*2.9%	15.7%	15.4%	34.0%
	No employment	*2.2%	5.3%	29.5%	36.9%
	Total: Female	9.9%	31.0%	59.1%	100.0%

Non-poor Couples

Employment of Female Spouse

Employment of Male Spouse		Full-time / Full-year	Other Employment	No Employment	**Total Male**
		per cent			
1981	Full-time / Full-year	28.2%	26.2%	26.1%	80.5%
	Other employment	5.0%	6.4%	5.1%	16.5%
	No employment	0.8%	0.5%	1.6%	2.9%
	Total: Female	34.0%	33.1%	32.9%	100.0%
1989	Full-time / Full-year	37.6%	25.3%	17.0%	79.9%
	Other employment	6.0%	6.1%	3.2%	15.3%
	No employment	1.5%	0.9%	2.4%	4.8%
	Total: Female	45.1%	32.3%	22.6%	100.0%
1997	Full-time / Full-year	38.2%	25.8%	13.5%	77.5%
	Other employment	6.9%	6.2%	3.1%	16.1%
	No employment	2.1%	1.5%	2.7%	6.3%
	Total: Female	47.2%	33.5%	19.3%	100.0%

Notes:

— Sample too small to provide estimate.

* Estimate less reliable due to small sample size.

n.a. = not applicable.

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

a male spouse with some degree of employment and a female spouse with no employment. By 1997, this employment pattern was found among only 29.6 per cent of poor couples.

In general, among poor couples, women's employment activity increased while that of men diminished through the 1980s: the proportion of female spouses with no employment decreased by 7.5 percentage points between 1981 and 1989, while the proportion of male spouses with no employment increased by six percentage points. The 1990s, however, was a difficult decade for both men and women; the share of poor families where men had no employment continued to increase to 36.9 per cent, while the share of women with no employment increased by 4.1 percentage points to 59.1 per cent.

As well, the share of poor couples with a male spouse who worked full-time/full-year decreased (from 39.0 per cent in 1981 to 29.1 per cent in 1997). Part of the reason for this decline in men's labour force activity is due to increasing unemployment rates among married men, which have inched up over the past two business cycles, from 4.4 per cent in 1981 to 5.0 per cent in 1989, and to 6.2 per cent in 1997 (not shown in table).

Many of the changing employment patterns among poor couples are also found among non-poor couples. The key difference, however, is in the magnitude of the change. For example, among both poor and non-poor couples, the proportion of women with no employment decreased between 1981 and 1997. Among non-poor couples, however, this decrease was much more substantial (declining from 32.9 per cent to 19.3 per cent).

The data clearly show that non-poor couples are characterized by higher levels of labour force activity than are poor couples. This is hardly surprising. More interesting, perhaps, is what distinguishes poor couples from non-poor couples. Increasingly, it is the employment activity of men, not simply the presence of an employed female spouse.

Summary

The above findings show severe shortcomings in a policy strategy that intends to rely more heavily on earnings from the marketplace to provide greater self-reliance for families in the face of government cutbacks. However, this does not mean that such a strategy is necessarily doomed to failure. It is only doomed if full employment cannot be achieved, if the jobs do not pay a living wage, and if considerable modifications to Canada's labour market institutions, practices and social supports such as child care are not made. In the absence of these changes, public income support programs will continue to play a crucial role in decreasing the extent and depth of poverty among working-age families.

Until now, the costs and benefits of this significant shift in public policy have not been properly examined. It seems that deficit reduction pressures and ideological

faith have led to a single policy response: cut government spending and public debt; achieve lower interest rates; and hope that well-paying jobs will eventually trickle down to the working poor, thereby replacing income from lost government jobs and social benefits. This book suggests that the marketplace, as it currently functions, is unlikely to be able to generate enough well-paying jobs for those who are poor. Unless changes are made to Canada's labour market institutions – many of which require government spending – it seems unlikely that families that are now market poor will have any real hope of becoming more self-reliant in the future. The findings in this chapter highlight the critical need for greater public supports to help market-poor families.

Endnotes

1 In general, researchers from many countries have noted a rise in inequality as wages, and earnings in particular, have become more polarized. For Canada, see Economic Council of Canada, *Employment in the Service Industries* (Ottawa: Supply and Services Canada, 1991); Charles Beach and George Slotsve, "Polarization of Earnings in the Canadian Labour Market," in *Stabilization, Growth and Distribution Linkages in the Knowledge Era*, T. Courchene, eds. (Kingston: John Deutsch Institute for the Study of Economic Policy, Queen's University, 1994); René Morissette, John Myles and Garnett Picot, "What is Happening to Earnings Inequality in Canada?" Business and Labour Market Analysis Group, Analytical Studies Branch, Statistics Canada, Research Paper No. 60, 1993; Myles Zyblock, "Individual Earnings Inequality and Polarization: An Exploration of Population Sub-group Trends in Canada, 1981-1993," Applied Research Branch, Human Resources Development Canada, 1996.

2 For one of the earliest treatments of this concept of poverty, see David Ross, *The Working Poor: Wage Earners and the Failure of Income Security Policies* (Toronto: James Lorimer and Co., 1981).

3 The labour force participation rate of the elderly has dropped substantially over the past two decades, and today is very small. Thus, this book confines its definition of the working poor to the population under age 65. The labour force participation rate for the population aged 65 years and over fell from 14.4 per cent in 1981 to 7.0 per cent in 1989, and to 6.4 per cent in 1997 (Statistics Canada, *Labour Force Historical Review*, microdata, 1998).

4 Other definitions of working poor are used in Canada. The National Council of Welfare defines the "working poor" as the number of individuals or families who get at least half of their total income from employment. (*Poverty Profile 1997*, Autumn 1999).

5 Bank of Canada, "Appendix 2: Major Financial and Economic Indicators," *Bank of Canada Review*, Autumn 1999, p. 56.

6 Statistics Canada, "Labour Force Update: Canada-U.S. Labour Market Comparison, 1989 to 1997," *The Daily*, November 24, 1998, pp. 4-5. Article from *Labour Force Update: Canada-U.S. Labour Market Comparison*, Autumn 1998, Catalogue No. 71-005-XPB. See also Marilyn Manser and Garnett Picot, "Self-employment in Canada and the United States," *Perspectives on Labour and Income*, Vol. 11, No. 3, Autumn 1999.

[7] Burke and Shields define flexible workers to include: full-time permanent employees tenured for two years or less; full-time temporary employees; part-time (involuntary) employees; and other part-time workers. Mike Burke and John Shields, *The Job-Poor Recovery: Social Cohesion and the Canadian Labour Market*, A Research Report of the Ryerson Social Reporting Network, May 1999, p. 20.

[8] See Grant Schellenberg and David Ross, *Left Poor by the Market: A Look at Family Poverty and Earnings* (Ottawa: Canadian Council on Social Development, 1997).

[9] In this book, market-poor families are identified as those who did not receive enough earnings from the marketplace to raise themselves up to the poverty line. The total number of poor is referred to as those families who did not receive enough combined earnings and government income supports to raise their family income above the poverty line.

[10] See Grant Schellenberg and David Ross, *Left Poor by the Market: A Look at Family Poverty and Earnings* (Ottawa: Canadian Council on Social Development, 1997).

[11] The authors stated that Canada has roughly 1.6 million market-poor families. When considering the various explanations in this section, the reader should note that total market-poor families may not add to this total figure because some families may experience spells of unemployment, be engaged in low-wage employment, *and* experience barriers to participation.

[12] For further discussion of the adequacy of minimum wages, see National Council of Welfare, *Incentives and Disincentives to Work* (Ottawa: National Council of Welfare, 1993). Also, National Council of Welfare, *Poverty Profile 1997* (Ottawa: Autumn 1999).

[13] The rate of true unemployment is calculated by adding the number of officially unemployed with the number of discouraged workers and the number of involuntary part-time workers who wanted to work full-time, but could not find this type of employment. The definition of discouraged worker was changed in 1996, while the definition of involuntary part-time was changed in 1995. Despite these definitional differences, the numbers do reflect the fact that many more Canadians can be considered unemployed than is reflected in the official rate. Statistics Canada, *Labour Force Historical Survey*, selected years.

[14] Canadian Council on Social Development, *The Progress of Canada's Children 1996* (Ottawa: 1996), p. 31.

[15] Canadian Council on Social Development, *The Progress of Canada's Children 1999-2000* (Ottawa: 2000), p. 26.

[16] Gail Fawcett, *Living with Disability in Canada: An Economic Portrait* (Ottawa: Human Resources Development Canada, Office for Disability Issues, 1996), pp. 114-118.

[17] Grant Schellenberg, *The Road to Retirement: Demographic and Economic Change in the 90s* (Ottawa: Canadian Council on Social Development, 1994).

[18] The participation rate includes those who have paid employment, either full-time or part-time, and the unemployed. Pat Armstrong and Hugh Armstrong, *The Double Ghetto: Canadian Women and their Segregated Work*, 3rd edition (Toronto: McClelland & Stewart, 1994), p. 16; Statistics Canada, *Labour Force Historical Review*, microdata, 1998.

[19] *Ibid.*, Statistics Canada, *Labour Force Historical Review*, microdata, 1998.

Chapter 6

The Canadian Fact Book on Poverty 2000

Previous chapters concentrated on the incidence and distribution of poverty in Canada over time. Yet, there are two other dimensions of poverty. The first is depth: how far below the poverty line a poor person's income falls. The second is duration: how long a spell of poverty lasts. This chapter discusses depth while Chapter 7 deals with duration.

Assessing the depth of poverty in Canada requires measuring the poverty gap, which is defined as the total amount of money required to raise the income of poor households up to the poverty line (and thus eliminate income poverty). The average poverty gap is the total gap divided by the number of poor households. This information is key to understanding the extent and severity of poverty among individuals and households.[1] For instance, although two provinces may have the same rate of poverty, if the average depth of poverty is greater in the first province – that is, households are living on incomes farther below the poverty line – then the overall state of poverty is clearly worse than in the second province.

The following section examines the size of both the total poverty gap and the average poverty gap in Canada, for different regions, age groups and family types. In the first section, the poverty gap is calculated based on total income, that is, income from private and public sources. Then, the poverty gap based on market income (before taxes and transfers) is calculated, based on the work in Chapter 5. The last section presents an effort to create an index of poverty, combining poverty rates and poverty gaps.

The Poverty Gap

As Table 6.1 shows, the poverty gap for all households, measured in 1997 dollars, almost doubled by 86 per cent ($9.3 billion) between 1981 and 1997. This increase was due mainly to the growth in the number of poor households. The average depth increased by only $673, after falling slightly between 1981 and 1989. Even if the average depth of poverty in 1997 had remained the same as in 1981, the poverty gap still would have increased by about $7.4 billion. This amount represents the

TABLE 6.1
TOTAL AND AVERAGE POVERTY GAPS (1997 $)

Household Type	1981 ($)	1989 ($)	1997 ($)
All			
Total gap (millions)	10,777	11,578	20,091
Average gap	6,487	6,144	7,160
Elderly			
Total gap (millions)	1,962	1,626	1,928
Average gap	3,683	3,065	3,169
Non-elderly			
Total gap (millions)	8,814	9,952	18,164
Average gap	7,810	7,351	8,265

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

growth in the poverty gap due solely to the increased number of poor households (see Table 3.1). Because the actual increase in the poverty gap was $9.3 billion, the increase in the depth of poverty accounted for about $1.9 billion. In other words, the majority of the increase in the poverty gap – about 80 per cent – was due to the increased number of poor persons.

The increase in the poverty gap was not spread evenly across the two decades. The vast majority of the increase occurred through the 1990s, an increase of $8.5 billion between 1989 and 1997, corresponding to a large increase in the number of poor households and an increased depth of poverty. In contrast, the increase in the total poverty gap between 1981 and 1989 ($801 million) is attributable to a comparatively small increase in the number of poor households (226,000). Over this time, the average poverty gap actually decreased by $343 per household.

As shown earlier, the poverty rate varies considerably depending on characteristics such as family type, age, education and employment. The same is true of total and average poverty gaps. Table 6.1 demonstrates the variation in poverty gaps using the example of elderly and non-elderly poor households. Between 1981 and 1997, the total poverty gap for these two groups diverged dramatically. During the 1980s, the total gap for the elderly fell from roughly $2 billion to $1.6 billion, whereas the gap for working-age households increased by $1.1 billion. However, between 1989 and 1997, the disparity between senior and working-age households widened even more sharply.

Among seniors, the gains of the 1980s were almost wiped out as the total poverty gap approached its 1981 level. Among working-age households, the total poverty gap jumped by $8.2 billion between 1989 and 1997. This is not to say that the situation of many seniors is not precarious. On average, poor seniors lived $3,169 below the poverty line in 1997, as the economic gains realized over the 1980s eroded slightly. However, the financial circumstances of poor working-age households has been, comparatively speaking, more adversely affected by negative labour market trends and cutbacks in key income security supports for non-elderly households.

Table 6.2 shows the dollar amount by which the average poor household with a given characteristic fell below the poverty line in 1989 and 1997. Looking at the most recent data (1997), each of the Atlantic provinces, Quebec, Manitoba and Saskatchewan showed smaller gaps than the national average, whereas the remaining provinces showed larger average gaps. There appears to be no uniform relationship between the average poverty gap in a province and its poverty rate. For example, Ontario and Alberta had the largest average household poverty gaps, but their family poverty rates were below the national average. Newfoundland, on the other hand, had a smaller-than-average poverty gap, but a poverty rate considerably higher than the country overall.

The depth of poverty increased between 1989 and 1997, with the largest increases in the average poverty gap experienced in Ontario ($1,858), followed by Nova Scotia ($1,406). Two provinces – Saskatchewan and Alberta – experienced a decline in the size of their average poverty gaps over this time.

TABLE 6.2
AVERAGE HOUSEHOLD POVERTY GAP, 1989 AND 1997 (1997 $)

Characteristic	Amount of gap ($) 1989	1997	$ change
Canada	$6,144	$7,160	$1,016
Newfoundland	$5,596	$5,973	$377
Prince Edward Island	$4,720	$4,743	$23
Nova Scotia	$4,765	$6,171	$1,406
New Brunswick	$5,323	$5,990	$668
Quebec	$6,144	$6,853	$709
Ontario	$5,776	$7,634	$1,858
Manitoba	$6,106	$6,872	$766
Saskatchewan	$6,334	$5,796	-$539
Alberta	$7,513	$7,456	-$57
British Columbia	$6,033	$7,196	$1,162
Family type			
Non-elderly			
couple, no children < 18	$6,609	$7,999	$1,391
couple, with children < 18	$8,844	$10,115	$1,272
female lone parent, with children < 18	$8,868	$9,046	$178
male lone parent, with children < 18	$6,848	$7,710	$862
unattached individual < 65	$6,452	$7,462	$1,010
Elderly			
couple	$3,472	$4,295	$824
unattached individual 65 +	$2,887	$2,993	$106
Other	$7,494	$7,198	-$296
Age			
Non-elderly	$7,351	$8,265	$914
Elderly	$3,065	$3,169	$104

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

By household type, the largest gap in 1997 was recorded by two-parent families with dependent children, followed by lone-parent families headed by women. The smallest gap was registered by elderly unattached individuals. While all family types – with the exception of those falling into the other category – experienced an increase in their average poverty gap, the largest increases were for couples with no dependent children, followed by couples with dependent children.

Table 6.3 shows the percentage contributions that different groups make to the total poverty gap and how their contributions have changed over the years. These contributions are the product of the number of poor and the average depth of poverty for each group. Figure 6.1 displays the contributions of the different provinces to the country's $20.1 billion total poverty gap. In 1997, Quebec and Ontario accounted

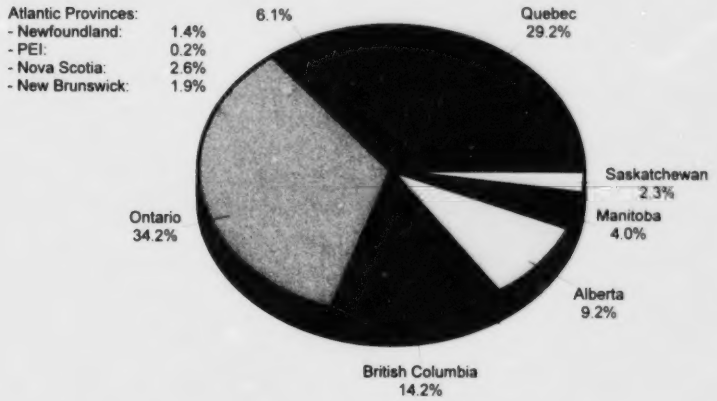
TABLE 6.3
CONTRIBUTIONS TO THE POVERTY GAP BY SELECTED CHARACTERISTICS, 1981, 1989 AND 1997 (1997 $)

	1981	1989	1997
Total gap (millions)	$10,777	$11,578	$20,091
Average gap	$6,487	$6,144	$7,160
Characteristic	100.0%	100.0%	100.0%
Province *			
Newfoundland	2.5%	1.4%	1.4%
Prince Edward Island	0.4%	0.3%	0.2%
Nova Scotia	3.5%	2.6%	2.6%
New Brunswick	3.3%	2.2%	1.9%
Quebec	31.0%	32.6%	29.2%
Ontario	31.3%	26.2%	34.2%
Manitoba	5.1%	4.5%	4.0%
Saskatchewan	4.0%	3.9%	2.3%
Alberta	7.2%	12.0%	9.2%
British Columbia	11.6%	12.0%	14.2%
Family type			
Non-elderly			
couple, no children < 18	4.8%	10.3%	13.2%
couple, with children < 18	24.9%	19.4%	19.0%
female lone parent, with children < 18	16.2%	15.9%	15.0%
male lone parent, with children < 18	0.8%	0.5%	1.0%
unattached individual < 65	31.7%	38.2%	41.3%
Elderly			
couple	5.4%	2.8%	1.6%
unattached individual 65 +	12.8%	10.3%	7.7%
Other	3.3%	2.5%	1.2%
Age			
Non-elderly	81.2%	86.0%	90.4%
Elderly	18.2%	14.0%	9.6%

Note: * Numbers may not sum to 100 per cent due to the exclusion of special family units.
Source: Data for 1981 from *The Canadian Fact Book on Poverty 1994*. Tabulations for 1989 and 1997 by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

for 63.4 per cent of the total poverty gap, which means that if poverty were to be eradicated in Canada, almost two-thirds of the required total expenditure would be directed to these two provinces. Over 40 per cent of the funds would go to non-elderly unattached individuals, and 90.4 per cent would go to households where the oldest person is under age 65.

Figure 6.1
Composition of Canada's Total Poverty Gap, 1997



Note: Numbers do not sum to 100% due to exclusion of special family units.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

The composition of the total gap has changed somewhat over the past two decades. The elderly, who accounted for 18.2 per cent of the gap in 1981, accounted for less than ten per cent in 1997. In contrast, non-elderly unattached individuals accounted for 31.7 per cent of the gap in 1981 and 41.3 per cent in 1997. Couples with no dependent children similarly account for a larger proportion of the poverty gap, rising from 4.8 per cent in 1981 to 13.2 per cent in 1997. The proportion of the poverty gap attributed to lone parents has been fairly stable.

Looking at the provinces, Alberta's contribution to the poverty gap rose by 4.8 percentage points during the 1980s and subsequently fell 2.8 points between 1989 and 1997. The greatest share increase occurred in Ontario in the 1990s with an increase of eight percentage points.

The Distribution of Poor Households by Income

The growing poverty gap is a concern. It is not just that more Canadians are living in impoverished circumstances, but increases in the average depth of poverty suggest they are living on household incomes far below the low income cut-off (LICO). Another way to assess the size of the group living on very low incomes is to look at the distribution of poor households by income categories based on percentages of the poverty line. Table 6.4 shows the distribution of poor households living on incomes:

- ➔ less than 50 per cent of the poverty line – the "very poor";
- ➔ between 50 to 74 per cent of the poverty line – the "middle poor";
- ➔ between 75 and 99 per cent of the poverty line – the "upper poor."

Looking at all poor households, 22.7 of households had before-tax incomes of less than 50 per cent of the low income cut-off in 1981. By 1997, this proportion had increased to 27.6 per cent, an increase of 4.9 percentage points. The proportional size of the middle poor group, living on incomes between 50 and 74 per cent of the LICO, stayed roughly the same at one-third of poor households. Households living on incomes closest to the poverty line – the upper poor – grew between 1981 and 1989 by 2.9 percentage points, but fell over the following years by 5.1 percentage points.

TABLE 6.4
DISTRIBUTION OF POOR HOUSEHOLDS BY INCOME 1981, 1989 AND 1997

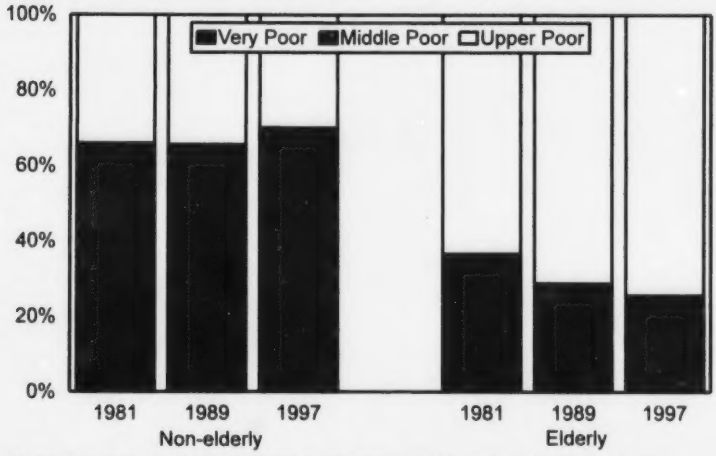
	1981	1989	1997	% Change 1981-1997
All households				
Very poor	22.7	22.9	27.6	4.9
Middle poor	31.5	32.2	32.7	1.3
Upper poor	41.8	44.7	39.6	-2.1
Households aged 65 and over				
Very poor	7.0	3.5	2.4	-4.6
Middle poor	28.3	25.2	23.2	-5.1
Upper poor	61.1	71.1	74.3	13.2
Households under age 65				
Very poor	30.1	30.5	34.6	4.5
Middle poor	32.9	34.9	35.4	2.4
Upper poor	32.6	34.4	30.0	-2.6

Notes: Numbers may not sum to 100 due to rounding.
The very poor are defined as households living on incomes less than 50% of the LICO; the middle poor are defined as households living on incomes between 50% and 74% of the LICO; the upper poor are defined as households living on incomes between 75% and 99% of the LICO.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Looking at the age distribution, the group of senior households living on incomes close to the poverty line grew substantially over the period of study, from 61.1 per cent to 74.3 per cent of poor households. In contrast, the distribution of poor non-elderly households is much more evenly distributed. Among these households, the proportion of very poor households grew between 1981 and 1997, while the size of the group living on incomes closest to the poverty line declined.

Figure 6.2

Distribution of Poor Households by Income, Elderly and Non-elderly Households, 1981, 1989 and 1997



Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

The growth in the number and proportion of the poor living on very low incomes is troubling, especially given recent improvements in the Canadian economy. These indicators show that economic gains are not being equitably distributed, that incomes generally are becoming more polarized.

The Market Poverty Gap

To this point, the poverty gap has been measured using all sources of a household's income. This section examines the poverty gap that would exist if only private or "market" income were available. If government transfers did not exist, how far would households fall below the poverty line? The purpose of this exercise is to distinguish, as closely as possible, the effect that changing market incomes have had on the poverty gap, as distinct from the combined changes of market income *and* government transfers as estimated in the first section of this chapter.

As noted above, the overall gap increased by about $9.3 billion (in 1997 dollars) between 1981 and 1997, and the gap for poor households under the age of 65 increased by $9.4 billion. Why has the gap widened? Have the sources of market income fallen behind, or have government transfers fallen behind?

The data in Table 6.5 address this question by estimating the poverty gap that would have existed in 1981, 1989 and 1997 in the absence of government transfers. The table assumes implicitly that nothing else in the system would have changed to compensate for the lack of a government transfer system. Obviously, this is an unrealistic assumption, as it is impossible to say how market incomes would have behaved in the absence of government transfers. Nonetheless, although the exact size of the market poverty gap is arguable, there is less room for argument about the trends identified.

TABLE 6.5
INCOME GAP BETWEEN MARKET INCOME AND THE STATISTICS CANADA LOW INCOME CUT-OFF LINES, 1981, 1989 AND 1997 (1997 $)

	1981	1989	1997	% Change 1981-1997
All households				
Total market gap (millions)	$28,386	$35,384	$55,645	96.0
Average market gap	$11,191	$11,454	$12,370	11.0
Number market poor (thousands)	2,536	3,089	4,498	77.0
Households aged 65 and over				
Total market gap (millions)	$11,990	$14,940	$20,691	73.0
Average market gap	$11,385	$11,676	$12,169	7.0
Number market poor (thousands)	1,053	1,280	1,700	61.0
Households under age 65				
Total market gap (millions)	$16,396	$20,444	$34,954	113.0
Average market gap	$11,054	$11,297	$12,493	13.0
Number market poor (thousands)	1,483	1,810	2,798	89.0

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

If the population had been obliged to rely on market income alone in 1997, the combined income shortfall for all households would have been $56 billion. Between 1981 and 1997, the poverty gap based on market income would have increased by 96 per cent. Not only would many more households have been drawn into the market-income gap in 1997 than in 1981 (4.5 million households compared to 2.5 million households), but on average they would have been farther below as well, as the average gap grew by 11 per cent.

Among working-age households, the percentage increase in the total market poverty gap was even greater. The total gap more than doubled between 1981 and 1997, from roughly $16 billion to $35 billion.

A comparison of Table 6.5 with Table 6.1, which indicated how the total income poverty gap changed between 1981 and 1997, makes it clear that market income alone has done a dismal job of keeping poverty at bay. While both the total gap and market gap almost doubled (by 86 per cent and 96 per cent respectively), in sheer

dollars, the market income gap grew by $27.3 billion over this period. Were it not for the off-setting effect of government transfer payments, the increase in Canada's poverty gap would have been much greater.

Combining Depth and Incidence

So far, the book has examined two dimensions of poverty: the *rate* of poverty, and the *depth* of poverty based on total income as well as market income. In instances where both the rate and depth of poverty have worsened – as was the case for most groups between 1989 and 1997 – the poverty picture has unequivocally worsened. In other cases, changes in the incidence and depth are mixed and the resulting picture is less clear. A measure combining the two dimensions can help to assess the changing economic circumstances of these particular households.

With this objective in mind, this section illustrates one attempt to combine the two dimensions into one measure to give a more complete picture of poverty.[2] This index has been constructed by taking all households in Canada in 1989 and multiplying their incidence of poverty by the average depth of poverty.[3] The resulting numbers were then scaled to a base of 100 and used as a benchmark against which scores for subgroups in that population could be compared. Table 6.6 presents the results for all households.

In interpreting these findings, it is important to keep in mind that the poverty index is a comparative measure. In this case, the benchmark is based on the incidence and depth levels among all households in 1989. This illustrates where various provinces and family groups stand in relation to the national benchmark of 100, both in 1989 and 1997, as well as whether the new index has increased or decreased during the period of study.

The poverty index for all households in 1989 was set at 100; by 1997, it had risen to 143. This finding is not surprising given the general increase in poverty rates over this period (in the order of 19 per cent), and growth in the average depth of poverty (by 17 per cent).

The 1989 findings provide an interesting picture of poverty by province. The index scores of Atlantic Canada, Ontario and British Columbia were lower than the national benchmark while the prairie provinces – notably Alberta – and Quebec had scores exceeding the benchmark. The reason for the high scores in Alberta and Quebec were different as seen in the table. For Quebec, it was an above-average incidence, while for Alberta it was an above-average depth.

TABLE 6.6

CANADIAN COUNCIL ON SOCIAL DEVELOPMENT POVERTY INDEX FOR HOUSEHOLDS BY SELECTED CHARACTERISTICS, 1989 AND 1997

	Incidence			Average Gap (1997 dollars)		
Characteristic	**1989**	**1997**	**% change**	**1989 (1997 $)**	**1997**	**% change**
Canada	18.3%	22.4%	18.5%	$6,144	$7,160	16.5%
Newfoundland	16.8%	23.7%	29.0%	$5,596	$5,973	6.7%
Prince Edward Island	17.3%	19.0%	9.0%	$4,720	$4,743	0.5%
Nova Scotia	19.5%	21.6%	9.5%	$4,765	$6,171	29.5%
New Brunswick	18.6%	21.5%	13.5%	$5,323	$5,990	12.5%
Quebec	22.5%	26.9%	16.1%	$6,144	$6,853	11.5%
Ontario	14.3%	19.6%	27.2%	$5,776	$7,634	32.2%
Manitoba	20.8%	25.2%	17.5%	$6,106	$6,872	12.5%
Saskatchewan	18.9%	19.4%	2.6%	$6,334	$5,796	-8.5%
Alberta	19.7%	21.0%	6.3%	$7,513	$7,456	-0.8%
British Columbia	18.2%	23.2%	21.8%	$6,033	$7,196	19.3%
Age**						
< 25	41.9%	55.4%	24.4%	$8,505	$8,721	2.5%
25-34	16.0%	23.4%	31.5%	$8,604	$8,288	-3.7%
35-44	12.5%	17.5%	28.5%	$8,673	$8,619	-0.6%
45-54	11.0%	15.0%	26.9%	$8,349	$8,253	-1.2%
55-64	17.6%	22.8%	22.8%	$6,450	$7,207	11.7%
65 +	26.6%	24.8%	-7.1%	$3,684	$3,169	-14.0%
Family type						
Non-elderly						
couple, no children < 18	7.1%	10.4%	31.5%	$6,609	$7,999	21.0%
couple, with children < 18	8.5%	12.0%	29.4%	$8,844	$10,115	14.4%
female lone parent, with children < 18	52.9%	56.0%	5.7%	$8,868	$9,046	2.0%
male lone parent, with children < 18	19.3%	23.5%	17.9%	$6,848	$7,710	12.6%
unattached individual < 65	30.0%	37.5%	19.9%	$6,452	$7,462	15.7%
Elderly						
couple	10.3%	6.4%	-61.7%	$3,472	$4,295	23.7%
unattached individual > 65	45.2%	45.0%	-0.4%	$2,887	$2,993	3.7%
Other	18.2%	15.5%	-17.0%	$7,494	$7,160	-4.5%

Notes:

* Estimate is less reliable due to small sample size.

** Age is based on the older individual when there is both a head and spouse present.

Numbers have been rounded.

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

By 1997, the picture had changed somewhat. The scores of all provinces with the exception of Prince Edward Island and Saskatchewan exceeded the 1989 benchmark, suggesting that in most cases the depth and rate of poverty increased. In only one province did the poverty situation improve; in Saskatchewan, the poverty index fell by 7 points between 1989 and 1997, resulting from a 8.5 per cent decline in the depth of poverty. The most notable change occurred in Ontario, where the index increased from 73 per cent of the national benchmark in 1989, to 133 per cent of the benchmark in 1997. There was both a large increase in the rate and depth of poverty in this province as highlighted earlier.

TABLE 6.6 (cont'd)

Index		
Poverty Index 1989 (base score = 100)	Poverty Index 1997	Point Change
100	143	43
84	126	42
73	80	8
83	119	36
88	115	27
123	164	41
73	133	60
113	154	41
107	100	-7
132	139	8
98	149	51
317	430	113
123	173	50
96	134	38
82	110	29
101	146	45
87	70	-17
42	74	32
67	108	41
417	451	34
118	161	44
172	249	76
32	24	-7
116	120	4
121	99	-22

The poverty picture is again mixed when the poverty index is examined by age group. The economic situation of Canadians over the age of 35 is superior to that of younger Canadians. Notably, Canadian households where both adults were under age 25 had a poverty index score that was three times the national average in 1989, which increased a further 113 points by 1997. In contrast, the situation of seniors improved over this period; by 1997, this group was the least vulnerable to poverty, reflected in their low index score (70).

Lastly, different family types experience great disparity in poverty, ranging in 1989 from a low of 32 among elderly couples, to a high of 417 for female lone-parent families with dependent children. The disparity in 1997 in poverty index scores was actually greater at 24 and 451 for each group respectively. Combining the depth of poverty and the rate of poverty into a single measure highlights the very unfavourable position of many female lone parents: they were 13 times more vulnerable to poverty than were elderly couples in 1989, and 19 times more vulnerable in 1997.

Summary

The development of an index which combines the depth and incidence dimensions of poverty allows for easier recognition of the most vulnerable groups. The new index does not replace incidence and depth figures, it complements them. After referring to the summary indexes and changes over time, it is still important to determine which dimension of poverty contributed most to the state of any group's index score.

Endnotes

1 To expand on this point, it is not always evident what an increase or decrease in the incidence of poverty means. That is because the rate of poverty is not particularly helpful in detecting

changes in the income of low-income households. Information on low-income rates must be supplemented with additional information about the source and level of income among low-income households. Thus, the depth of poverty is another important piece of this puzzle.

This work is based on an earlier CCSD study of market poverty. See Grant Schellenberg and David Ross, *Left Poor by the Market: A Look at Family Poverty and Earnings* (Ottawa: Canadian Council on Social Development, 1997). A number of other measures account jointly for the number of poor, depth of poverty, and inequality among the poor. Most of this work is based on the groundbreaking work of A.K. Sen who proposed a poverty index in 1976 (A.K. Sen, "Poverty: An Ordinal Approach to Measurement," *Econometrica*, Vol. 44, pp. 219-231). His work has been subsequently modified by other researchers. See Lars Osberg and Kuan Xu for a discussion of these measures and an analysis of poverty intensity among Canadian provinces through the 1980s and 1990s. "Poverty Intensity: How Well Do Canadian Provinces Compare?" Luxembourg Income Study, Working Paper No. 203, March 1999. See also John Myles and Garnett Picot, "Social Transfers, Earnings and Low-Income Intensity Among Canadian Children, 1981-96: Highlighting Recent Developments in Low-Income Measurement," Analytical Studies Branch, Statistics Canada, Research Paper No. 144.

In 1989, the average depth of poverty for all households was $6,144 and the rate of poverty was 18.3 per cent ($6,144 x 18.3% = 1,124.352). The resulting sum was then set at 100.

Chapter

Previous chapters explored the incidence and depth of poverty. This chapter discusses the third important dimension required to round out the picture of poverty: the length of time, or duration, that households exist in a state of poverty. After the poverty rate has been calculated, the added dimensions of depth and duration paint a more complete picture of the *severity* of poverty. The connection between duration and severity is obvious: short-term poverty is generally easier to bear than long-duration poverty, and its effects are shorter lived. Duration plays an important role in determining how severe the impact of a spell of poverty has on people, especially on the well-being and development prospects of children. As discussed in Chapter 1, family poverty is associated with a broad range of high-risk outcomes for children in the areas of health, learning, behaviour and social participation. The longer the time period children live in poverty, the greater the likelihood that missed opportunities will multiply and place the child further at risk of poor development.

Knowledge of how long poverty lasts is also important for public policy purposes. If low-income households live in poverty for only short intervals, and do not have frequent spells, then income-maintenance programs are likely the most appropriate response. However, if poverty tends to be of long duration, or is marked by frequent spells, a more appropriate anti-poverty response would consist of employment, training, education, child care and other supportive services.

How long is long? When does a severe drop in income, to poverty levels, become a major concern for households? A 1999 survey conducted for the Canadian Council on Social Development (CCSD) revealed the length of time that Canadian households could sustain themselves using their own financial resources if all sources of earnings were curtailed due to job loss: a month or less – 19 per cent; between two and six months – 42 per cent; and more than six months – 39 per cent.[1] The length of time it takes for loss of earnings to become a major concern varies according to a household's financial resources, but it is noteworthy that 61 per cent of households could not sustain themselves beyond a period of six months.

What Do We Know About Duration?

Up to and including 1997, national estimates of poverty have been based on Statistics Canada's annual income survey, with occasional assistance from Census data provided every five years. These annual data are collected through a household survey of different families each year, so it is impossible to estimate the length of time that low-income households remain in poverty. For example, we know that lone-parent mothers make up about one-third of total poor families each year, but we do not know if they are the same mothers year after year. How quickly people leave low-income status has been unknown, except for fragmentary and occasional information.

For a long time, any estimates of duration were based on data drawn from provincial social assistance (welfare) records. However, no systematic attempt was made to gather consistent data across the provinces, and the highly confidential nature of these records barred access to them for outside researchers. This led to fragmentary results. However, using social assistance records is associated with an even more serious problem: they only cover a portion of all poor households. In 1997, one-quarter of the people deemed to be in poverty in Canada were the *working poor* – people who do not enter the social assistance system in large numbers. Studies relying only on social assistance data do not capture the experiences of the working poor.

A study done using Ontario data for the years 1975-1984 revealed that 40 per cent of those entitled to provincially administered family benefits (mainly lone-parent mothers and persons with long-term disabilities) were in and out of the system in the same year. The remaining 60 per cent spent longer terms on welfare. For lone parents, the length of time varied by circumstance, from less than two years to four years. For persons deemed employable, and drawing temporary assistance from local governments, 1987 data showed that duration varied by cause and education level. For example, for those who were simply unemployed, the average was 6.5 months on assistance, while those with poor health averaged 22 months. Recipients with some post-secondary education averaged 7.4 months on assistance, but those with less than grade 9 education spent 14.6 months on average.[2] No figures were presented on what proportion of recipients would return to welfare at a later date.

For a time, the most authoritative source of information on the duration of poverty for both the welfare and working poor was that provided in a pioneering study conducted by the former Economic Council of Canada. This study used a five-year data series (1982-1986) which relied on a combination of social assistance, survey and taxation data. One important finding was that 27 per cent of working-age Canadians who were poor in any single year escaped this condition the next year (although one-fifth of these returned to poverty in the following year).[3] Thus, the vast majority of poor in any single year remained in poverty for at least another year.

The study also revealed that significant proportions remained poor throughout the five-year period. As a proportion of all non-elderly poor, those who were poor for all five years fluctuated between 42 and 45 per cent in each of the years. Duration of poverty hits some groups harder than others. Lone parents, youth and single people aged 45 to 60 years were most affected, while childless couples were the least likely to endure poverty for lengthier times.

Statistics Canada's longitudinal Labour Market Activity Survey (LMAS) provided another earlier source of data used to approximate duration of poverty. This survey went through two cycles, the first covering 1986-1987 and the second 1988-1990. The survey has now been replaced and expanded upon by Statistics Canada's longitudinal Survey of Labour and Income Dynamics (SLID). Although LMAS did not provide figures for family income, it allowed researchers to follow a cohort of low-wage workers in the first year to see how many still earned a similar low wage in later years. Unfortunately, this approach did not provide an estimate of poverty for those relying on other household wage earners, or other sources of income. However, it did provide an indication of the stability of low wages, and the likelihood of a person being able to work their way out of poverty over a relatively short period of time. Results from the first LMAS cycle revealed that of those earning $5.00 an hour or less in 1986, only 17 per cent had moved to a higher-paying job by the end of 1987.[4]

Results for the second cycle revealed that of those earning $6.00 an hour or less in 1988 (which approximated the average minimum wage across Canada), 39.6 per cent had moved to a higher wage by the end of 1990.[5] Consequently, roughly 60 per cent remained in a low-wage position throughout the three-year period. The discrepancy between the results of the two cycles can be partly explained by the longer period of time covered by the second survey as well as a rapidly improving economy which peaked in 1989.

Information from tax returns has also been used as a source of longitudinal income data. Statistics Canada's Longitudinal Administrative Databank (LAD), based on tax information, has made it possible to generate estimates of changes in income and low-income duration. Two studies using LAD have presented findings on duration, one of them being an international comparison of four countries that included Canada.

The international study by the Organisation for Economic Co-operation and Development (OECD) defined poverty as people with incomes of less than 50 per cent of median household disposable income. Disposable income includes all sources of income minus direct taxes and social security contributions.[6] The study examined the duration experience for different groups of people. In Canada, the study found that 54.7 per cent of poor single unemployed males of prime age (30 to 50 years) remained in poverty for one or more years. However, only 14.6 per cent remained

for four or more years, and 4.3 per cent for ten years or more (Canadian data covered the years 1986-1995). These duration figures compared favourably to the United Kingdom, Germany and the United States. In the U.S. and Germany, over 10 per cent of corresponding males remained in poverty for 10 years or more. Not surprisingly, when a single male is employed, the likelihood of lengthy stays in poverty falls dramatically: in Canada, only 2.1 per cent of poor employed males remained in poverty for 10 years or more.

In Canadian families consisting of two or more adults with children, with the head unemployed, 57.4 per cent of those in poverty remained for one or more years, 17.2 per cent remained in poverty for four or more years, and 5.7 per cent for 10 years or more. The authors of the OECD study found little difference between the duration experiences of lone-parent households and those of other household types in Canada (a puzzling finding that is at odds with the results of other studies). However in the U.K., U.S. and especially Germany, lone parents do experience longer durations than do other family types.[7]

As one might expect, the OECD study also concluded that the likelihood of exiting poverty decreases as the spell lengthens. Leaving poverty becomes more difficult the longer the person remains in poverty.

The Canadian study, which is based on the LAD database covering the years 1982-1993,[8] used Statistics Canada's pre-tax low-income measure (LIM), described in Chapter 2, as its definition of poverty. The study used a sample comprising individual tax filers; individual taxation data do permit the calculation of family or household income, and this definition of income is employed for determining poverty status, not the income of the individual (unless that individual is living alone).

The study calculated three different measures of the persistence of poverty:

- ➔ the exit rate, which measures the chances of exiting from poverty after successively longer periods;
- ➔ the likelihood of multiple spells of poverty, that is, exiting after a spell, but re-entering at some later date;
- ➔ the average length of time a person spent in poverty during the 10-year period covered, whether it was due to a single spell or multiple spells.

With respect to exit rates, the Canadian study shows that over one-half (53 per cent) of households below the poverty line in any given year will exit poverty the following year.[9] However, only 39 per cent will exit after spending two years in poverty, 27 per cent after four years, and less than 25 per cent after five years or more. As previously stated, the longer one spends in poverty, the more difficult it becomes

to exit from it. However, exit rates are also influenced by other factors. The chances of a married male with two children in a two-income family exiting poverty after one year was 74 per cent, but for his male counterpart in a one-income family the likelihood of exiting falls to 52 per cent. Lone parents exhibit much lower exit rates. A lone-parent mother with two children has a 35 per cent chance of exiting after one year, and a slight 15 per cent chance after four years.

The likelihood of experiencing multiple spells of poverty is also influenced by different factors. Once a person exits poverty, the longer they remain above the poverty line the less likely they are to fall below it again. For those who exit and remain above the line for one year, the chance of falling below it in subsequent years is only 19 per cent, and this decreases to six per cent after four years. However, gender and family status create deviations from these average likelihood figures for multiple spells. For example, married males or females with two children in two-income families face only a nine per cent chance of returning to poverty after one year, and a minuscule three per cent chance if they remain out for four years. But a lone-parent mother with two children faces a 27 per cent chance of re-entering poverty after one year and a 10 per cent chance after four years.

Combining the number and length of spells permits an estimate of the *average* length of time (not necessarily a continuous period) spent in poverty over a 10-year period.[10] The Canadian study found that lone parenthood is a strong determinant of average length. Lone-parent mothers living in poverty in the first year of the study could expect to endure between 5.1 and 6.9 years in poverty during the 10 years studied. The precise length depended on the number of children. However, low-income married couples could expect to suffer between 3.4 to 4.2 years if only one person was an income earner and between 1.8 to 2.2 years if both were earners.

Having assessed all three dimensions of poverty persistence, the Canadian study concluded that the situation for 60 per cent of people who fall into poverty in any one year most likely reflects a temporary situation unlikely to be repeated within a 10-year period.[11] However, the remaining 40 per cent are experiencing a more chronic problem, where they face both longer spells of poverty and are more likely to re-enter it after they do escape. Lone-parent mothers are the most likely to fit into this 40 per cent category.

These two studies using the LAD, as well as the results based on social assistance data, provide some useful estimates. However, the potential for gaining a much better picture of poverty duration is now in the early stages of being furnished by Statistics Canada's longitudinal survey (Survey of Labour and Income Dynamics – SLID) that is tracking the same households for several years. One of the major advantages of SLID is that it collects considerable social, demographic, labour

market and income information on the survey households. This enables a breakdown of results according to a rich number of variables, including the low income cut-offs.

SLID data have been used in four studies:

- a Statistics Canada study based on the first two years of SLID data;
- another Statistics Canada study based on the first four years of SLID data;
- a National Council of Welfare study based on the first four years of SLID data;
- a CCSD study based on the first two years of SLID data (the CCSD was one of the first groups outside government to release a study on poverty persistence, with a focus on women, using SLID data).

The first Statistics Canada study looks at duration over only two years (1993-1994)[12] and uses the LICO, but on an after-tax basis. Therefore, their poverty estimates are lower than those normally reported using the pre-tax LICO. The study found that 73 per cent of all poor people in 1993 continued to remain in a low-income state in 1994, meaning that only 27 per cent escaped their low-income state. People who were more likely than the average person to remain in poverty for two years had the following characteristics: children under six years (1.5 times); young people aged 16 to 24 (1.3 times); and women (1.1 times).

The second Statistics Canada study using SLID covered the four-year period 1993-1996.[13] It also adopts the Statistics Canada after-tax LICO as its measure of poverty. The results show that of all those falling into low income in 1994, 57 per cent escaped in 1995. Of those who fell into a low-income state in 1995, 43 per cent moved out in 1996. These different findings indicate that the likelihood of exiting poverty depends on the year being studied. The findings also mean that about half of the new entrants into poverty each year remain longer than one year.

Of all those who fell into poverty in 1994, 30 per cent were still there in 1996. So three years[14] after falling into low income, almost one-third were still there, indicating a serious persistence of low income. As more years become available through SLID, it will be possible to extend the time frame for the study of duration.

The study also confirms that members of certain groups were more likely to suffer persistent low income than were others. The main factors associated with greater persistence of poverty are low education levels, disability, visible minority status, recent immigration status, lone parenthood, and being an unattached person. As a benchmark, for this part of the study, it was found that 4.9 per cent of all Canadians over age 15 – not just poor persons – were in a state of low income for the entire four years. (Some individuals in this group may have had low incomes before

1993, but this information is not available on SLID.) Using this benchmark, one can compare the experiences of various groups who endured low income over the four-year period:

- 8.4 per cent of all persons with less than high school level education;
- 6.7 per cent of all persons with a work limitation (disability);
- 16.7 per cent of all persons with visible minority status;
- 21.1 per cent of all immigrants who migrated after 1986;
- 18.7 per cent of all unattached individuals;
- 18.2 per cent of all lone parents.

In interpreting these figures, it should be recalled that this second Statistics Canada study used the LICO after-tax definition of low income, which means that the figures are lower than they would be if the pre-tax LICO had been used.

The National Council of Welfare (NCW) study also looks at poverty duration using SLID.[15] Employing the traditional before-tax LICO measure, the Council examined the situation of different family types over the four-year period, 1993-1996. The following percentages are for the entire population of each family type, not a percentage of only those who were poor. The NCW found that:

- 36.2 per cent of all lone parents remained poor over the entire four years;
- 7.3 per cent of all couples with children remained poor for three or four years;
- 4.1 per cent of all childless couples spent three or four years in poverty;
- 28.8 per cent of all unattached individuals spent four years in poverty.

As with the second Statistics Canada study, the NCW also found that higher duration rates were experienced by people with a work limitation (disability), those with visible minority status, and post-1986 immigrants.

The CCSD study uses data for the two years 1993-1994, and adopts Statistics Canada's pre-tax low income cut-off (LICO) as its measure of poverty.[16] The study revealed that 22.7 per cent of all women over the age of 15 years were poor at some point during this two-year period. Of these women, 59 per cent were poor in both years. For men, 17.5 per cent were poor at some point; 52 per cent of these men were poor in both years. Consequently, not only were women more likely to be poor, but they were more likely to remain poor.

Age also plays a role, as the persistence of poverty tends to be higher for seniors of both genders, but more so for women. For women 65 years and over, 71.7 per

cent were poor in both years, while for elderly men it was 60.5 per cent. The lowest rates of persistent poverty, for both men and women, were found among those aged 25-34 years – 46.6 per cent and 51.9 per cent, respectively, were poor for both years. Because of the short two-year period of time covered by this study, it was not possible to ascertain what proportion of those exiting poverty re-entered in a subsequent year.

Review of Findings

What general observations can be drawn about the length of time people spend in poverty from these nine studies? Before drawing any conclusions, it must be cautioned that the results are difficult to compare due to considerable variation among: study objectives and methodologies; the definitions of poverty, family and household used; the ages of those studied; and the time periods covered. Although it would be dangerous to compare precise findings, some general observations can be made.

- ➔ The percentage of poor people who enter poverty in one year but escape the next year varies in the studies between 27 per cent and 57 per cent, with the mean being 41 per cent.
- ➔ Over a 10-year period, poor persons will spend on average approximately five years in poverty, after counting both single and multiple spells.
- ➔ About five per cent of poor persons will experience a continuous spell of poverty lasting 10 years, and 15 per cent will experience a spell of poverty longer than four years.
- ➔ Canada compares well with other countries with regard to exit rates and duration.
- ➔ The likelihood of exiting poverty seems to vary considerably from year to year, suggesting that economic and other factors may be at work to affect chances of escaping. Although the different poverty measures and years covered by the studies make it difficult to compare results, the exit rates vary by year even within those studies using the same methods.

- ➔ The longer a person remains in poverty the more difficult it is to escape.
- ➔ The likelihood of returning to poverty after escaping decreases with the number of years spent above the poverty line.
- ➔ The characteristics of the population in poverty very much affect exit rates and duration. People in the following groups are less likely to escape poverty in a year, and have more and longer spells:
  - lone parents
  - persons with disabilities

- persons in a visible minority group
- recent immigrants
- unattached persons
- persons with lower levels of education.

As a general conclusion, the authors support the observation made in one of the studies, which may come closest to representing the situation regarding the persistence and duration of poverty. This conclusion is that for approximately 60 per cent of the poor population in any year, it is a temporary situation, but for the remaining 40 per cent it is a persistent problem that lasts for years. Members of this 40 per cent group are more likely to represent those listed above, especially lone parents, who are at highest risk of persistent p[illegible]rty.

Severity of Poverty: Linking Incidence, Depth and Duration

This completes the look at the three dimensions of poverty: incidence, depth and duration. In order to obtain a true picture of poverty and its trend over time, the state of all three dimensions must be observed. It would be even more helpful to link all three together into an index measuring the *severity* of poverty. This would extend the index in the previous chapter that linked incidence and depth. Linking all three dimensions would permit, at a glance, a more comprehensive look at poverty nationally as well as according to geography and other demographic characteristics. This would replace the more time-consuming act of observing each dimension separately and making a judgement as to how they offset each other when they move in different directions.

Beginning with the SLID survey results for 1998 (when SLID replaces the former Survey of Consumer Finances as Canada's main annual source of income and poverty data), it will be possible to have measures of incidence, depth and duration for comparable populations and years. At the moment, not enough annual data have been generated by SLID, nor are the 1997 results on duration available to outside researchers to combine with the 1997 figures for incidence and depth. However, it is not too early to start thinking about what such an index would look like, and what it would tell us.

Combining all three dimensions into a severity of poverty index provides a group measure. It does not apply to individual persons or families. From the standpoint of an individual or family, it makes no sense to talk about incidence as an ingredient in the severity of their poverty. An individual or family is either poor or not, that is,

the incidence is either zero per cent or 100 per cent. And if a family or individual is poor, then all that matters is the depth and duration. However, from a group perspective, whether that group is defined by geography or by other demographic, social and economic characteristics, all three are important ingredients. For example, to gain a more complete picture of poverty among lone-parent mothers, it does make sense to talk about severity. This measure would be helpful in comparing their situation with other groups, as well as over time.

How the three are combined into one index is more problematic. Chapter 6 combined depth (a dollar figure) and incidence (a percentage figure), by simply multiplying them together to get a numeric value, which has little meaning when considered alone except that higher values denote a worse poverty picture than do lower ones. This combined value, however, was converted into an index number. The value arrived at for all households nationally for a specific year was reconfigured to become the base value of the index set at 100. The resulting combined values for the different geographies and groups can then be compared to this national base number to see how their poverty situations compare to the national average.

As a starting point, a simple index – constructed by bringing all three dimensions together – is described. This index would begin by multiplying the raw values of all three ingredients together and converting the resulting values into an index using the national average for a given year as the base set equal to 100. Admittedly this would be a crude measure, and this simple approach has at least two major problems:

- The first problem concerns the relative importance of, or the weight given to, the three dimensions in constructing the index. Multiplying them together accords them all the same importance or weight. However, do they all add equally to the notion of severity? Is duration more important than depth, or is depth more important than incidence? If the sequence of historical development, availability and usage of these three dimensions were any guide, incidence has for a long time been the only measure of poverty. As time passed, information and analysis of depth came along. Data and analysis of duration have received attention only recently. However, this historical sequencing may not necessarily reflect the true importance that each contributes to poverty severity. One method that could be employed for developing a scale of importance would be to use focus group testing and opinion surveys. The CCSD adopted this procedure to develop a scale of importance for constructing its Personal Security Index.[17]
- The second problem centres on how to represent change over time. Incidence is defined by a percentage figure, depth is a dollar figure, and duration is in months or years. A 10 per cent change in incidence is quite large when group

incidences typically run around 20 per cent, but it could get swamped by a $500 change in depth which is not a particularly large change when dealing with depths that typically run around $7,000. Duration data, measured in months, is more likely to show smaller change over time. It would be inappropriate to use these raw numbers, so there is a need to use percentage change. However, the percentage changes must be standardized according to how important each yearly change is to its historical record of change. This allows for determining whether a five per cent change is very significant based on past performance. Many established statistical techniques for standardizing change are available for this purpose.

Unfortunately, no progress can be made on a single index until more duration data are available for comparable years. However, thanks to SLID, data on incidence, depth and duration will be available annually from 1998 onward. As a result, it will not be long before a number of attempts are made to construct an index to measure and track the severity of poverty. Out of these attempts will undoubtedly come some agreement on a commonly accepted index that will appreciably advance the measurement and understanding of poverty.

Summary

This chapter has reviewed the existing literature on the duration of poverty in Canada. The percentage of poor people who enter poverty one year, but escape the next, varies. For roughly 60 per cent, poverty proves to be a temporary situation, while it is a recurrent problem for the remaining 40 per cent. On average, a poor individual will spend approximately five years in poverty after counting both single and multiple spells, while five per cent will stay in poverty for 10 or more years.

Certain groups are more vulnerable to lengthy spells of poverty. These groups include lone parents, persons with disabilities, members of visible minority groups, recent immigrants, individuals with low levels of education, and unattached individuals. The longer one remains in poverty, the more difficult it is to escape.

With new information on the duration of poverty, researchers will be able to develop a more complete picture of the state of poverty in Canada. The authors believe that Statistics Canada should take the lead and develop an index that incorporates all three dimensions of poverty – incidence, depth and duration – into a more complete summary statistic for its annual reporting on low income in Canada.

Endnotes

1. Canadian Council on Social Development, *Personal Security Index 2000: A reflection of how Canadians feel* (Ottawa: April 2000).
2. Government of Ontario, *Transitions*, Report of the Social Assistance Review Committee (Toronto: 1998), pp. 43-47.
3. Economic Council of Canada, *The New Face of Poverty* (Ottawa: June 1992), p. 22.
4. David Ross and Richard Shillington, *Flux: Two Years in the Life of the Canadian Labour Market* (Ottawa: Statistics Canada, 1991), p. 84.
5. Based on calculations performed by David Ross, Richard Shillington and Clarence Lochhead for the 1994 version of the *Canadian Fact Book on Poverty* (Ottawa: Canadian Council on Social Development, 1994).
6. Pablo Antolin, Thai Thanh Dang and Howard Oxley, *Poverty Dynamics in Four OECD Countries*, Working Paper No. 212 (Paris: Organisation for Economic Co-operation and Development, April 1999).
7. *Ibid.*, p. 19 and p. 42.
8. Mireille Laroche, "In and Out of Low Income," *Canadian Social Trends*, Statistics Canada, Autumn 1998. This article is drawn from her study *The Persistence of Low Income in Canada 1982-1993*, Working Paper No. 98-02 (Ottawa: Department of Finance, 1998).
9. *Ibid.* Both the exiting and multiple spells estimates were calculated for only those individuals aged 35 to 39 years in 1993.
10. *Ibid.* Average length estimates were calculated only for those who were aged 45 in 1982.
11. *Ibid.* This statement applies to all people in the study sample below the age of 65 years.
12. N. Noreau, M. Webber, P. Giles and A. Hale, *Crossing the Low Income Line* (Ottawa: Statistics Canada, July 1997).
13. Marie Drolet and René Morissette, *To What Extent are Canadians Exposed to Low Income?* (Ottawa: Statistics Canada, March 1999).
14. Estimates for this part of the study only cover three, not four years. The year 1993 was not used because it was not known if those in a low-income situation had fallen into it in 1993 or in an earlier year.
15. National Council of Welfare, *Poverty Profile, 1997* (Ottawa: 1999).
16. Clarence Lochhead and Katherine Scott, *The Dynamics of Women's Poverty in Canada* (Ottawa: Status of Women Canada, April 2000).
17. Canadian Council on Social Development. *Personal Security Index 2000: A reflection of how Canadians feel* (Ottawa: April 2000).

Chapter

The Canadian Fact Book on Poverty 2000

Canada's overall poverty rate has been relatively stable over the past two decades, mainly because of the improving economic situation among seniors. This dramatic achievement is related (see below) to significant increases in income transfers to the elderly. However, this success has been more than offset by rising poverty levels among the working-age population, especially among families with children. What is notable about the 1980s and 1990s is that Canada has experienced relatively high poverty rates through two periods of economic recovery. Although many individuals and families are now experiencing better economic times, the bottom 20 per cent of Canadians have seen a significant drop in their incomes over this period.[1]

Trend data reveal the complexity of poverty in Canada:

- The steep rise in market poverty – discussed in detail in Chapter 5 – highlights the failure of the labour market to provide employment opportunities and living wages to large numbers of Canadians.
- Socio-demographic factors such as the rise in family break-up have been identified as contributing to economic insecurity, as the number of financially vulnerable households such as lone-parent families continues to rise.
- Deliberate policy interventions influence the prevalence, depth and duration of poverty. Factors such as early retirement policies or stringent monetary policy influence the movement into and out of poverty.

This chapter presents a detailed analysis of Canada's income security system and its role in alleviating poverty. This question is particularly germane to Canada as federal and provincial governments have increasingly targeted income support programs to low-income Canadians, on the basis that highly targeted programs more efficiently redistribute income and reduce the incidence and depth of poverty. Is this in fact the case? How are the benefits of Canada's income security programs distributed? Are the poor the principal beneficiaries of income transfers? In brief, the evidence shows that although income programs have had good success in addressing poverty levels among seniors, current reforms are failing to meet new challenges: notably the increase in economic insecurity among the working-age population, the members of which are assumed to be self-sufficient.

Canada's Income Security Net

This section looks at the distribution of benefits from Canada's income security programs, among the general population and the poor, in order to understand the impact of the country's income security net. Canada has a range of income security programs with different goals, eligibility criteria and financing provisions.[2] The analysis focuses on five key program areas that account for the majority of income transfers to individuals and families. These programs fall into one of three broad groupings:

- *Income-tested/means-tested income support programs:* Social assistance (SA), the child tax benefit (CTB), the guaranteed income supplement (GIS) and spouse's allowance (SpA) are income-tested programs specifically designed to help the poor. Income-tested programs provide basic income support for individuals and families with little or no access to the labour market, and are financed out of general revenues. These programs are targeted to individuals and families with net household incomes below a set threshold. Needs-tested programs such as social assistance provide help to individuals and families who are in need no matter what the cause; they are based on more stringent eligibility criteria that take household income, assets and need into account.
- *Social insurance programs:* Employment insurance (EI) and the Canada and Quebec Pension Plans (CPP/QPP) are social insurance programs, designed to provide income insurance or maintenance to those who contribute. Benefits and premiums rise with a worker's earnings up to a defined income ceiling. They are financed through the contributions of employees, employers or a combination of both. Because social insurance programs are designed to protect the income of workers, and because the benefits are generally tied to level of earnings, middle-income households are the principal beneficiaries, as seen below.
- *Universal programs:* Canada once had two universal programs for children and seniors: Family Allowances (FA) and Old Age Security (OAS). Universal programs are payments made to all people within a specific category (such as the elderly), regardless of their income. In 1992, however, the federal government eliminated the Family Allowance. The remaining universal program – Old Age Security – is no longer truly universal because the federal government introduced a "clawback" in the tax system which takes back benefits from higher-income families and pensioners.

THE DISTRIBUTION OF TRANSFERS IN GENERAL

When the distribution of all transfers in the five program areas is examined, it is not surprising to find that households in the lowest quintiles received the largest

share of public transfers in 1997. As discussed in Chapter 3, a quintile is a 20 per cent slice of the population ranked here on the basis of pre-transfer or market income. Consequently, the same number of households are in each quintile. (Market income quintiles are used in the analysis throughout this chapter.) Table 8.1 shows that households in the lowest two quintiles (with market incomes under $23,473) received only 7.9 per cent of market income, but collected 64.9 per cent of all

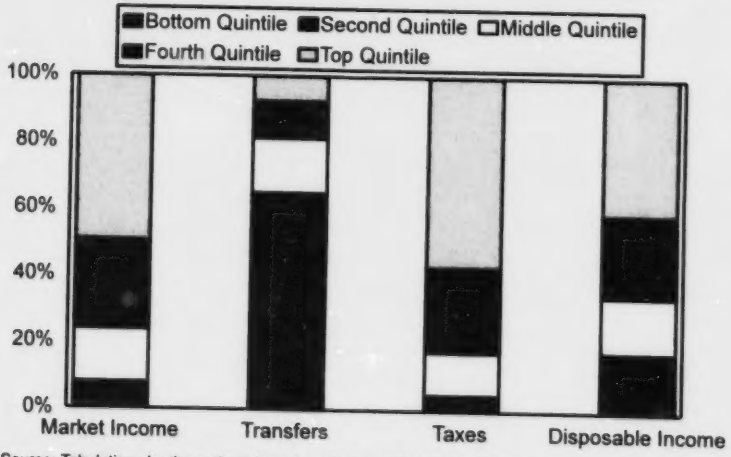
TABLE 8.1

QUINTILE DISTRIBUTION OF MARKET INCOME, GOVERNMENT TRANSFERS AND DISPOSABLE INCOME*, ALL HOUSEHOLDS, CANADA, 1997

Market Income Quintiles	Market Income Range ($)	Market Income (%)	Total Government Transfers (%)	Total Taxes (%)	Disposable Income (%)
First (bottom)	6,598 or less	0.6	39.1	0.4	6.9
Second	6,599 - 23,472	7.3	25.8	4.4	11.0
Third	23,473 - 42,000	16.1	16.4	13.1	16.9
Fourth	42,001 - 66,976	26.5	11.0	25.2	24.3
Fifth (top)	66,977 +	49.5	7.6	56.9	40.8
Total		100.0	100.0	100.0	100.0

Note: * After taxes and transfers.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

Figure 8.1
Distribution of Market Income, Government Transfers, Taxes and Disposable Income by Quintile, All Households, 1997



Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

transfer income. In contrast, households in the top two quintiles (with market incomes of $42,001 or higher) received 76.0 per cent of market income, but only 18.6 per cent of government transfers. These data illustrate the high degree of income targeting of Canada's major income security programs.

Table 8.1 also illustrates the importance of transfers in reducing income inequality in Canada (discussed in greater detail in Chapter 3). In 1997, households in the top quintile received over 80 times the share of market income as did households in the bottom quintile. After transfers and taxes, however, the gap between the top and the bottom was greatly reduced as the last column shows. Households in the top quintile had almost six times the disposable income of households in the bottom quintile, 40.8 per cent compared to 6.9 per cent.

Looking more specifically at the impact of aggregate transfer income on poverty, low-income households received a very small share of market income, relying heavily upon transfers for their livelihood as shown in Table 8.2. Reliance on transfers has increased over time. In 1997, households in the lowest quintile derived 90.0 per cent of their *total* household income from transfers – an average of $11,786 – while those in the second quintile derived 34.4 per cent – an average of $7,788. In comparison, transfers in 1981 made up 38.2 per cent of total income for households in the lowest income quintile, and 8.4 per cent for those in the second (data not shown).

TABLE 8.2
INCOMES BEFORE AND AFTER GOVERNMENT TRANSFERS, ALL HOUSEHOLDS, CANADA, 1997

Market Income Quintiles	Average Market Income ($)	Average Transfer Income ($)	Average Total Income ($)	Average Disposable Income ($)	Transfer Income as % of Total Income
First (bottom)	1,311	11,786	13,096	12,897	90.0%
Second	14,834	7,788	22,623	20,559	34.4%
Third	32,623	4,923	37,546	31,496	13.1%
Fourth	53,687	3,330	57,017	45,316	5.8%
Fifth (top)	100,228	2,301	102,529	76,146	2.2%
Overall Average	40,530	6,026	46,556	37,278	12.9%

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

The percentage share of transfers received by high-income households was much less than that received by low-income households, but it is not insignificant. Households with average market incomes of $100,228 or more in 1997 (those in the top quintile) received an average of $2,301 in transfers, constituting 2.2 per cent of their total income. This does not include the considerable advantages that high-income earners received through the tax system via such programs as RRSPs, and the preferential treatment of capital gains and dividend income.

DISCUSSION OF INDIVIDUAL PROGRAMS

Low-, modest- and middle-income families are the principal beneficiaries of Canada's income security programs. This reflects the fact that some programs are designed to insure or supplement earnings, and are intended to prevent poverty, while others such as the guaranteed income supplement for seniors and social assistance are highly targeted to poor households.

It is important to note that the analysis in this chapter does not include programs such as tax expenditures that largely benefit upper-income households. The registered retirement savings plan (RRSP) program, dividend tax credits or the preferential tax rate accorded capital gains all deliver significant monetary benefits to higher-income Canadians through the tax system. The RRSP, worth an estimated $8.6 billion in foregone tax revenues in 1999, is the largest single tax expenditure with the exception of the basic personal credit.[3] A discussion of the redistributive impact of the tax system, however, is beyond the scope of this chapter/book.

Table 8.3 shows the proportion of government transfer program benefits received by Canadians in 1997 by quintile.[4] Almost three-quarters of social assistance expenditures were received by low-income households, that is, those with market incomes under $6,599. The reason the figure is not closer to 100 per cent, as one might expect, is that many households receive social assistance for only part of the year and earn enough during the remainder to raise their total incomes beyond the first quintile cut-off.

TABLE 8.3
QUINTILE DISTRIBUTION OF SPECIFIC TRANSFER BENEFITS, ALL HOUSEHOLDS, 1997

Total Expenditure (millions)	**CTB** 6,102	**OAS / GIS / SpA** 21,100	**CPP / QPP** 20,782	**EI** 9,311	**SA** 9,203	**Other*** 8,943
Market Income Quintiles			per cent			
First (bottom)	17.6	50.3	33.9	9.0	73.9	35.2
Second	24.1	24.8	30.6	27.1	15.4	28.0
Third	26.4	12.7	17.4	26.3	4.4	17.6
Fourth	23.3	6.7	10.0	22.2	3.9	10.9
Fifth (top)	8.6	5.5	8.1	15.4	2.3	8.4
	100.0	100.0	100.0	100.0	100.0	100.00

Note: * Other income from government sources includes payments from veteran's pensions, pensions to widows and dependants of veterans, civilian war allowances, worker's compensation, payment received from training programs sponsored by the federal and provincial governments, Quebec Work Assistance Programs, Quebec Maternity Allowance, regular payments received from provincial automobile insurance plans, and provincial grants from home ownership promotion, mortgage interest rate reduction and property improvement.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

The income-targeted child tax credit delivered 17.6 per cent of its benefits to low-income households. This result is explained in part because the total household population under consideration in Table 8.3 includes elderly and childless households who are ineligible for child benefits. As discussed below, when only the household population containing children is considered, the distribution of benefits is more favourable to poorer families.

Half of seniors benefits (OAS/GIS/SpA) went to low-income households (with market incomes under $6,599) and one-quarter to second-quintile households (with market incomes between $6,599 and $23,472). The combination of these three programs brings many families just up to or slightly over the poverty line (see Table 6.4). Without these programs, a substantially greater number of elderly people would be living in poverty.[5]

Social insurance program benefits (EI and CPP/QPP) are more evenly distributed. The bulk of EI benefits went to households in the second, middle and fourth market quintiles. In contrast, low-income households only received a 9.0 per cent share of EI benefits, as the majority of these households in any year are either without employment, are not eligible for EI, or work most of the year but at low-paying jobs. The distribution of CPP/QPP benefits, like EI, are concentrated in middle-income households (compared to OAS/GIS/SpA) because benefits are positively scaled to the level of prior earnings. However, low-income households received the largest single share of CPP/QPP benefits in 1997. This counter-intuitive finding is because the quintiles in Table 8.3 are based on the market incomes of all households; as a result, the cut-off for the bottom quintile is higher than the one used in Table 8.5 which looks at the distribution of program benefits among the elderly population exclusively.

Target Populations

Table 8.3 presents an analysis of the distribution of Canadian income security benefits across all households, and demonstrates the distributional impact of transfers. The purpose of this aggregate analysis is to show just how much of Canada's total spending on income security programs actually goes to low-income households. However, the analysis overlooks each program's target: most income security programs are aimed not at all households but at specific types of households. Accordingly, the balance of this chapter examines the distribution of various program benefits strictly in relation to each program's intended target population. The analysis discusses programs aimed at three specific populations:

- families with children under age 18;
- seniors;
- the working-age population.

FAMILIES WITH CHILDREN UNDER AGE 18

The child benefit system has undergone substantial change over the past 20 years. The range of income support programs has narrowed considerably; at the same time, the balance of benefits has shifted towards low-income families as the federal government has introduced greater income-testing. The most significant change, as noted above, was the elimination in 1992 of Family Allowances and of the refundable and non-refundable child tax credits. These programs were replaced by two income-tested benefits: the Child Tax Benefit and the Working Income Supplement. In addition, various provinces such as British Columbia and Quebec also offer a children's benefit to designated families.

The data presented in Table 8.4 look at the redistributive impact of these programs in 1997, the most recent year for which data are available. The table looks at the distribution of the child tax benefit by quintiles based on the market income of families with dependent children.[6] Whereas benefits from the old Family Allowance program were evenly distributed among Canadian families (before the impact of income taxes), the 1997 child tax benefit system was strongly redistributive: the bottom 40 per cent of families (with market incomes of $39,780 or less) received 64.9 per cent of the total benefits in 1997. Families with dependent children in the bottom quintile rely on children's benefits for 15.1 per cent of their total income before taxes.

TABLE 8.4
QUINTILE DISTRIBUTION OF CHILDREN'S BENEFITS AMONG FAMILIES WITH CHILDREN UNDER 18 YEARS OF AGE, 1997

Market Income Quintiles	Market Income Range ($)	Average Market Income ($)	Child Tax Benefit (%)	CTB as % of Total Income
First (bottom)	19,500 or less	7,098	35.4	15.1%
Second	19,501 - 39,780	29,959	29.5	6.4%
Third	39,781 - 57,000	48,415	20.4	3.0%
Fourth	57,001 - 80,000	67,762	10.6	1.2%
Fifth (top)	80,001 +	113,266	4.1	0.3%

Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

A new Canada Child Tax Benefit (CCTB) came into effect in 1998, combining the Child Tax Benefit and the Working Income Supplement. The new benefit is the building block of federal-provincial/territorial efforts to develop an integrated system of benefits for low-income children.

For the reader's information, the CCTB has two main elements: the base benefit which is paid monthly to an estimated 80 per cent of Canadian families with

children, and the National Child Benefit Supplement which goes to low-income families engaged in the paid labour market. The value of the base benefit in the first year (1998-1999) was set at a maximum value of $1,020 and was phased out at net family incomes above $25,921. (An additional benefit of $213 is available for children under age 7 if no child-care expenses are claimed.) The value of the Supplement was initially fixed at $605 for the first child, $405 for the second child, and $330 for each subsequent child; the full value of the Supplement was available to families with net incomes under $20,921 and was phased out at $25,921.

In the 1998 federal budget, additional monies were set aside to increase benefits – $425 million for 1999 and $425 million for 2000. These new funds were directed to increasing the Supplement, and raising the income threshold to $29,590 for phasing out the combined benefit. A third investment in children's benefits was announced in Budget 2000. The federal government plans to increase the base benefit by $70 in July 2000 – to $1,090 (including indexation) – and to proceed with the increases announced in 1998 to the value of the Supplement ($170 per child) and the income threshold. In July 2001, the Supplement will be increased again by $200 per child so that its value will reach approximately $1,155 for the first child, on the way to a target of $1,230 in 2004. The goal, by 2004, is to raise the maximum amount of the CCTB benefit (base benefit plus supplement) to $2,400 for the first child and $2,200 for the second child. It is estimated that many more modest- and middle-income families will receive enriched benefits as a result of these changes; these families have experienced substantial losses in child benefits as a result of increased targeting since the mid-1980s.

SENIORS

The majority of elderly households receive most of their income in the form of pension payments and old age security benefits. The public component of this retirement income is essential because many seniors have little or no income from employment and no or small private pension benefits. Table 8.5 documents that the bottom fifth did not receive any market income at all in 1997. In fact, market incomes were negative.

The redistributive effect of the elderly benefit programs in 1997 was modest. The bottom 40 per cent (with market incomes of $4,116 or less) received 46.6 per cent of the total OAS/GIS/SpA benefit package. The top quintile (with market incomes of $27,977 or higher) received 17.7 per cent. Since 1992, OAS benefits have been "clawed back" from recipients with incomes over $53,200, and are totally eliminated once an individual's annual income reaches $86,300 (these income thresholds are for 1999). It is worth noting that 16 per cent of households with a head over age 65 have before-tax incomes above $50,000 a year, and only 5 per cent have incomes above $80,000 a year.[7] These data reflect household incomes, including

families and unattached seniors; the percentage of all seniors with individual incomes in these ranges would be even smaller.

TABLE 8.5
QUINTILE DISTRIBUTION OF SENIORS' BENEFITS AMONG ELDERLY FAMILIES*, 1997

Market Income Quintiles	Market Income Range ($)	Average Market Income ($)	OAS/GIS/ SpA (%)	CPP/QPP (%)	Seniors' Benefits as % of Total Income
First (bottom)	0	-103 **	26.1	14.2	90.2
Second	1 - 4,116	1,709	20.5	17.0	82.3
Third	4,117 - 12,575	8,198	18.2	20.0	57.9
Fourth	12,576 - 27,976	19,082	17.5	24.1	41.6
Fifth (top)	27,977 +	55,481	17.7	24.7	20.4

Notes:
* Head and/or spouse aged 65 years or over.
** Market income is negative in this instance as a result of total government transfers exceeding total income.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

The Canada and Quebec pension plans are contributory insurance programs not intended to directly target benefits to the poor. Roughly one-third (31.2 per cent) of the total benefits were received by the poorest 40 per cent of the elderly population. The weak anti-poverty impact is mainly the inevitable result of the fact that:

- retirees have histories of unequal earnings;
- people with a lifetime of no employment, intermittent or part-time employment, or chronic low-wage employment will either retire with no or small pensions;
- the majority of elderly unattached individuals are women who are more likely to be receiving reduced survivor benefits, and not full retirement pensions.

Table 8.5 also shows the relative importance of each transfer program for seniors across each quintile. Public income support made up a sizeable portion of the annual incomes for all groups of seniors, but especially so for low-income seniors. Over 80 per cent of all seniors' income in the bottom two quintiles came from benefits in 1997. Transfer income was also an important part of the income package among seniors in the middle and fourth market quintiles. Predictably, low-income seniors tend to rely more on OAS/GIS/SpA, while high-income seniors draw more heavily on CPP/QPP.

WORKING-AGE HOUSEHOLDS

The term working-age households used here means that the oldest person in the household is under 65 years of age. This grouping is designed to roughly designate the labour force population aged 16 to 64 years, and hence, the benefit programs available to them. The main benefits available to these households are social

assistance and employment insurance. Social assistance provides some measure of income support to those in need, while employment insurance temporarily replaces the wages of unemployed persons who are eligible under the EI program.

TABLE 8.6
QUINTILE DISTRIBUTION OF BENEFITS AMONG WORKING-AGE HOUSEHOLDS*, 1997

Market Income Quintiles	Market Income Range ($)	Average Market Income ($)	SA (%)	EI (%)	Working-age Benefits as % of Total Income
First (bottom)	Less than 13,001	4,121	83.1	17.5	36.3
Second	13,001 - 31,000	22,302	8.8	29.8	6.4
Third	31,001 - 49,000	39,778	3.7	21.7	2.6
Fourth	49,001 - 72,863	59,835	2.6	18.1	1.5
Fifth (top)	72,864 +	105,789	1.8	12.9	0.6

Note: * Head and/or spouse under 65 years of age.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.

As one would expect, and as Table 8.6 confirms, social assistance is highly redistributive: in 1997, the poorest 40 per cent of nonelderly households with market incomes of $31,000 or less received 91.9 per cent of the total benefits. In contrast, Employment Insurance benefits were more evenly distributed across income quintiles. Households in the second quintile received the largest share of EI benefits (29.8 per cent), while those in the top quintile predictably received the smallest share (12.9 per cent). While EI does not make up a large proportion of the total incomes of middle-income families, it is a critical income support in the event of job loss. On the other hand, social assistance and to a lesser extent EI income, figures prominently as a percentage of the total incomes of low-income households – 36.3 per cent.

Summary

Today, society is undergoing a period of change: socio-demographic changes such as the rise in lone-parent families and economic restructuring present sizeable challenges to the existing system of programs developed in the post-war period. The data presented above indicate that Canada's system of income security supports continues to redistribute income to those in need. Given the failure of the labour market to provide employment opportunities and living wages for all Canadians, income security programs remain a vital component of economic security. Rollbacks in benefit and program coverage through the late 1990s portend greater poverty for many.

Endnotes

1. Statistics Canada, *Income Distributions by Size in Canada, 1997* (Ottawa: April 1999), Catalogue No. 13-207-XPB.

2. For a discussion of Canada's income security programs, see Chris Clark, *Canada's Income Security Programs* (Ottawa: Canadian Council on Social Development, 1998).

3. Canada, Department of Finance, *Tax Expenditure 1999* (Ottawa: 1999), pp. 9-20.

4. Please note: these totals are those reported by respondents in the annual income survey and will differ from departmental administrative figures.

5. See John Myles, "The Maturation of Canada's Retirement Income System: Income Levels, Income Inequality and Low-Income among the Elderly" (Ottawa: Statistics Canada, 2000), Catalogue No. 11F0019MPE, No. 147.

6. These market income quintiles differ from those used in Table 8.1 because those quintiles are based on the market income of all households. Similarly, the quintiles used in Table 8.4 differ from those used in Table 8.5 and Table 8.6 because different populations are being analyzed.

7. Statistics Canada, *Income Distributions by Size in Canada, 1997* (Ottawa: April 1999), Catalogue No. 13-207-XPB, p. 124. In 1997, average before-tax income among senior households was $32,152.

Chapter

The Canadian Fact Book on Poverty 2000

When the United Nations Development Program (UNDP) released the *Human Development Report 1999*, Canada once again placed at the top of the rankings as the "best place in the world to live" as measured by its Human Development Index (HDI). The HDI looks at three indicators: longevity (measured by life expectancy); educational attainment (adult literacy plus a combined indicator of primary, secondary and tertiary school enrolment); and per capita income. In particular, high levels of life expectancy and educational attainment have pushed Canada to the top of this league table. They reflect important investments in the public good, notably the development of universal health care and the expansion of public education.

But with any aggregate figure, such as the HDI, critical disparities are often missed. In the same volume of the *Human Development Report*, the authors also report the findings of their new Human Poverty Index, one for developing countries (HPI-1) and one for industrial countries (HPI-2), such as Canada. The HPI-2 draws attention to *deprivation* in four key areas of human life:

- ➔ longevity – measured by the percentage of the population likely to die before age 60;
- ➔ knowledge – measured by the percentage of the population (16 to 65 years) that is functionally illiterate;
- ➔ standard of living – measured by the proportion of people whose disposable personal income is less than 50 per cent of a country's median income;
- ➔ social exclusion – measured by the percentage of long-term unemployed, that is, those out of work 12 months or more as a percentage of the total labour force.

Using the HPI, Canada falls from its first-lace HDI standing to ninth place when deprivation is introduced. This comparison highlights two key points. First, the extent of deprivation is explained by factors in addition to the average level of income in a country. High levels of deprivation exist in wealthy countries – in the United States, for example, as well as in Canada. Second, the level of deprivation does not necessarily correlate with overall human development as measured by the HDI.[1] Rather, human development and a socially cohesive society have more to do with the distribution

of resources within and between individuals and groups, and within and between countries. The discrepancy between Canada's HDI and HPI ranking highlights the weakness of distributive and redistributive mechanisms in Canada, namely, labour markets and the welfare state, as illustrated throughout this book.

Measuring Poverty Cross-nationally

Although the concept of poverty is much broader than any one measure, the Human Poverty Index is the most comprehensive effort to date "to bring together in a composite index the different dimensions of deprivation in human life."[2] It reflects the view that the concept of poverty means more than a lack of material necessities; "poverty can also mean the denial of opportunities and choices most basic to human development. To lead a long, healthy, creative life. To have a decent standard of living. To enjoy dignity, self-esteem, the respect of others and the things that people value in life."[3] That is, poverty is not just about what individuals *have*, but also what they *do*, and what they *can* do.[4]

The HPI is unique in its attempt to measure varied dimensions of poverty in one index. Most other studies of poverty among and within industrialized countries typically assess the capability of citizens to participate in their societies by examining the level and distribution of income. In developing countries, the case can be made that actual consumption of food, mortality rates and access to shelter are better measures of poverty. In industrial countries, access to income is considered the key measure of an individual's or families' material well-being and the ability to participate in social and economic life.

The fact that income has become such a popular measure of well-being does not mean there are not a great number of issues in studying poverty cross-nationally. These issues are the same that researchers in Canada or elsewhere face in examining poverty within national borders, some of which were enumerated in Chapter 2. Although the following are key methodological issues in studying poverty *within* one country, they are exponentially more complex in studying poverty *between* countries:[5]

- different definitions of poverty (absolute, relative or subjective);
- different equivalence scales (taking into account family size and structure);
- different units of analysis (i.e., individuals, families, households) and assumptions regarding the distribution of resources within the family/household;
- varying opinions about the relevant accounting period (the choice of time period over which income is measured), the use of cross-sectional versus longitudinal data, and the actual methodology for establishing poverty lines.

In recent years, the collective work of international scholars, supported in part by funding from different governments and public agencies, is providing the basis for more meaningful comparisons. In addition to the work of the UNDP, both Eurostat and the Organisation for Economic Co-operation and Development (OECD) have adopted various measures of low income. These measures all adopt a "relative" approach to defining low-income lines. For example, the OECD has defined low income as "the share of income accruing to households in the lowest quintile," while material deprivation refers to households with "incomes below a given fraction of the median adjusted disposable income," adjusted for differences in household composition.[6]

Perhaps the most well-known comparative low income measure (LIM) is the percentage of persons living on incomes below half of median disposable income. There are two points to note about this definition. First, it is based on median income – the income level which divides the population in half. Median income is used because it tends to be more sensitive to changes in a country's income distribution over time. Second, disposable income in this definition denotes individual and household income after "direct" taxes (income and payroll) and transfer payments.[7]

This is the definition used in the majority of studies – including in this chapter – which draw on the international data collection housed in Luxembourg, known as the Luxembourg Income Study (LIS). The Luxembourg data collection is based on household income surveys conducted in 25 participating countries covering the period from 1967 to 1995. These country surveys are similar to the Survey of Consumer Finances conducted annually by Statistics Canada, from which most of the figures in this Fact Book are derived. Experts associated with the LIS carefully go over each of the surveys and standardize the information as much as possible. This assures that definitions of household, family, employment, income, earnings, transfers, taxes and so on are consistent.[8]

It is not possible to collect and analyze the surveys according to identical years because not all countries conduct annual surveys. The LIS collects the information in years that are close in time, and these are called "waves" of information. The first wave, used in the 1989 edition of this Fact Book, covers the years 1979-1981. The second wave, used in the 1994 book, covered the years 1984-1987. The third wave covers the years bridging the 1980s and 1990s, while the fourth wave looks at the mid-1990s.

Comparing poverty levels across countries remains controversial, particularly for one point in time. Critics argue that these studies misrepresent the situation in any given country because they do not take into account their unique social and economic contexts. The use of an absolute measure is especially open to this

charge because it assumes that basic needs are the same across countries. Moreover, there are difficulties in comparing different calendar years, even over a short span of years, each presenting different points in the business cycles of individual countries. That said, relative measures such as the one used in the Luxembourg Income Study undoubtedly provide valuable information on the number and composition of poor families. Moreover, they enable researchers to compare trends over time, using similar definitions of income and poverty. This is the particular value of the Luxembourg Income Study as successive waves of data continue to be collected and analyzed.

Comparison of Poverty Rates

The information contained in the Luxembourg data base makes it possible to construct a number of poverty measures and apply them to all countries. However, the Statistics Canada low income cut-offs are not one such measure because adjustments for community size are not available for most countries. Instead the authors have accepted the poverty measure most commonly used by LIS researchers, which is equal to 50 per cent of disposable median income (after transfers and income and payroll taxes), adjusted for family size. This produces a line somewhat below the Statistics Canada cut-offs, but it provides a consistent and standardized benchmark against which the income distributions of many countries can be compared.

Using this approach, international comparisons for individuals and families are presented in the tables below. Table 9.1 displays poverty estimates for individuals for 12 countries over time.[9] The extent of overall poverty varies a great deal, but there are obvious groupings. English-speaking countries tend to be distinguished by higher poverty rates, while the remaining European countries generally have lower rates.

Table 9.1 shows that although Canada has had one of the highest rates of poverty since the early 1980s, the proportion of the population living on disposable incomes 50 per cent or less of median income has steadily declined. In contrast, poverty in the United Kingdom has almost doubled. Germany also experienced high rates of poverty in the early 1990s, associated with reunification, but the proportion of Germans living in poverty fell substantially in the mid-1990s. The United States has had persistently high rates of poverty over this period of study.

The decline in Canada's relative poverty rate is attributed almost wholly to the decline in poverty among seniors as discussed in earlier chapters of this book. The decline in poverty rates would have been greater were it not for the stable high levels of poverty among children and the non-elderly population.[10]

TABLE 9.1
POVERTY RATES AMONG ALL INDIVIDUALS, BY SELECTED COUNTRIES

Country	Wave I 1979-83 (%)	Wave II 1984-87 (%)	Wave III 1988-93 (%)	Wave IV 1994+ (%)	Rank Wave I	Rank Wave II	Rank Wave III	Rank Wave IV
Australia	9.0	8.0	9.2	11.9	3	5	5	4
Belgium	n.a.	4.8	5.0	5.5	n.a.	10	10	9
Canada	**12.5**	**10.8**	**11.3**	**10.6**	**2**	**2**	**4**	**5**
Finland	n.a.	5.3	5.6	3.9	n.a.	9	9	10
France*	7.9	8.3	n.a.	8.4	4	4	n.a.	7
Germany	6.1	6.3	18.2	11.4	6	8	1	3
Italy	n.a.	9.8	9.0	12.8	n.a.	3	6	2
Netherlands	7.3	6.5	6.2	n.a.	5	7	8	n.a.
Norway	5.3	4.7	4.6	5.8	9	11	11	8
Sweden	5.6	8.0	7.3	8.7	8	5	7	6
United Kingdom	5.7	7.1	11.7	10.6	7	6	3	5
United States	16.4	17.9	17.5	17.9	1	1	2	1

Notes:
* France has an income survey and a budget survey from which these data are drawn; the authors have chosen to report the findings of the income survey for selected years.
n.a. = data not available.
Source: On-line Luxembourg Income Study data, August 1998.

The high rates of poverty among Canadian children stand out in Table 9.2.[11] In the mid-1990s, 13.9 per cent of children were impoverished in Canada. Despite high levels of average income, U.S. children were much more likely to live in poverty compared to children in other countries (22.7 per cent), while Swedish children were much less likely to do so (2.7 per cent). The gap in child poverty rates between countries at the top of the league table and those at the bottom is much wider than among the overall rates of poverty.

Over time, child poverty across these countries has remained relatively stable. There have been increases in the United Kingdom, Germany and Italy – doubling from the late 1970s to the mid-1990s.[12] Again, the results in Germany are linked to the profound social, economic and political changes associated with reunification. In the United Kingdom, earnings inequality through the 1980s has driven the increase in rates of poverty. Those at the top of the income ladder experienced large increases in income, while incomes stagnated for individuals and households at the bottom.[13]

The picture of family poverty reveals similar trends. Table 9.3 displays poverty estimates for households with children, by family type and employment status. These poverty comparisons show that Canada again ranks very poorly. Of the 12 countries, Canada's rate of poverty ranks:

- → second highest among two-parent households with no wage earner present;
- → third highest among lone-parent families;
- → fourth highest among all households with children and two-parent households where there are one or two wage earners.

TABLE 9.2
POVERTY RATES AMONG CHILDREN, SELECTED COUNTRIES, LUXEMBOURG INCOME STUDY

Country	Wave I 1979-83 (%)	Wave II 1984-87 (%)	Wave III 1988-93 (%)	Wave IV 1994+ (%)	Rank Wave I	Rank Wave II	Rank Wave III	Rank Wave IV
Australia	14.0	13.1	14.0	14.1	2	3	3	4
Belgium	n.a.	3.4	3.1	3.8	n.a.	10	10	8
Canada	**13.9**	**13.6**	**13.5**	**13.9**	**3**	**2**	**4**	**5**
Finland	n.a.	2.9	2.5	3.2	n.a.	12	12	10
France	6.3	6.5	7.5	5.6	5	6	6	7
Germany	3.2	6.4	4.4	8.7	8	7	8	6
Italy	n.a.	10.8	9.6	19.5	n.a.	4	5	2
Netherlands	2.5	3.6	4.1	n.a.	9	9	9	n.a.
Norway	3.8	3.8	4.6	3.7	7	8	7	9
Sweden	3.9	3.0	2.7	2.7	6	11	11	11
United Kingdom	8.5	9.9	16.7	16.2	4	5	2	3
United States	18.5	22.9	21.5	22.7	1	1	1	1

Note: n.a. = data not available.
Source: T. Smeeding, "Child Poverty: Canada in Comparative Perspective," *Canada in Comparative Perspective 1999*, Queen's University, August 1999.

The Nordic countries (Finland, Sweden and Norway) clearly have a better track record in alleviating poverty among households with children, regardless of employment status. This suggests that their income security system does a better job in alleviating poverty than the systems of many other European and Anglo-American countries. Moreover, parents have access to employment at living wages illustrated by the very low rates of poverty among households with employment income.

In contrast, the United States, Canada and the United Kingdom have a poor record in providing economic security for families, as reflected in high rates of poverty among those who rely on income security programs and among those engaged in the paid labour market.

Trends in Income Inequality

Poverty rates, by definition, provide key information about what is going on at the bottom of the income distribution. That said, understanding the differences in poverty rates over time, or between countries, requires looking at changes in the

TABLE 9.3
POVERTY RATES AMONG HOUSEHOLDS WITH CHILDREN, BY FAMILY TYPE AND EMPLOYMENT STATUS, MID-1990S

		One Parent		Two Parents		
Country	**All households with children (%)**	**Not employed (%)**	**Employed (%)**	**No wage earner (%)**	**One wage earner (%)**	**Two wage earners (%)**
Australia	9.4	42.1	9.3	18.3	8.9	5.0
Belgium	3.3	22.8	11.4	16.1	2.8	0.6
Canada	**12.5**	**72.5**	**26.5**	**73.5**	**18.1**	**3.7**
Finland	1.9	9.9	3.0	3.6	3.5	1.5
France	6.7	45.1	13.3	37.5	7.3	2.1
Germany	8.4	61.8	32.5	44.8	5.6	1.3
Italy	17.0	78.7	24.9	69.8	21.2	6.1
Netherlands	7.6	41.3	17.0	51.4	4.7	1.2
Norway	3.6	29.6	4.6	30.6	3.9	0.1
Sweden	2.5	24.2	3.8	9.5	6.0	0.8
United Kingdom	15.6	69.4	26.3	50.1	19.3	3.3
United States	19.4	93.4	38.6	82.2	30.5	7.3

Source: Oxley et al. "Income Inequalities and Poverty among Children and Households with Children in Selected OECD Countries: Trends and Determinants," Paper presented at the Luxembourg Income Study Conference, Child Well-Being in Rich and Transition Countries, September 1999, Luxembourg, Table 7.

distribution of income overall. That is, how equally is income distributed across individuals and families? The answer to this question reveals a great deal about the likelihood of living in poverty, in Canada and elsewhere.

There are a variety of measures of inequality. For the purposes of this chapter, a measure of "social distance" – which compares the disposable incomes of individuals at the top of the income distribution to the incomes of those at the bottom – is used. Specifically, Table 9.4 presents ratios comparing the disposable incomes of those at the 10th percentile (P10) to those at the 90th percentile (P90) over time.[14]

This technique shows that the greatest distance between the rich and poor exists in the United States where incomes of individuals near the top of the income ladder were over six times those near the bottom in the mid-1990s. In Canada, the 10th percentile individuals have incomes almost four times greater than the 90th percentile individuals, but the gap narrowed slightly between the early 1980s and the mid-1990s. By comparison, many European countries, with the exception of the United Kingdom and Italy, are "more equal" as measured by the social distance between the rich and the poor, that is, there is a shorter distance between incomes at the top and bottom of the income distribution. In the mid-1990s, Finland had the smallest ratio of high income to low income among its citizens.

Canada has some distance to go towards improving the economic well-being of the poor, when levels of income inequality are compared across countries.

TABLE 9.4
SOCIAL DISTANCE COMPARISONS, RATIO OF HIGH TO LOW INCOME*, LUXEMBOURG INCOME STUDY

Country	Wave I 1979-83	Wave II 1984-87	Wave III 1988-93	Wave IV 1994+
Australia	4.05	4.01	4.30	4.40
Belgium	n.a.	2.74	3.33	2.79
Canada	**4.07**	**4.02**	**3.92**	**3.93**
Finland	n.a.	2.59	2.63	2.69
France	3.40	3.48	n.a.	n.a.
Germany	2.91	3.00	2.94	3.18
Italy	n.a.	4.04	3.76	4.85
Netherlands	n.a.	2.95	3.05	n.a.
Norway	2.78	2.94	2.82	2.84
Sweden	2.75	2.45	2.72	2.78
United Kingdom	3.53	3.79	4.69	4.57
United States	4.93	5.94	5.77	6.42

Notes: * High income denotes individuals at the 10th percentile of the income distribution; low income denotes individuals at the 90th percentile of the income distribution. For example, if a country has a population of 100 people, the comparison is between the incomes of the individuals 10th down and 90th down from the top, respectively.
n.a. = data not available
Source: On-line Luxembourg Income Study data, August 1998.

Although the downward trend in social distance is positive, the level has remained relatively high over this period. Despite the lack of any consistent patterns among these countries with regard to the timing or magnitude of income inequality changes, researchers believe that creative employment policies, tax and transfer policies, and other factors (such as the increased labour force participation of married women) play a role in ameliorating the impact of market forces on levels of disposable income.[15] The analysis below looks at which countries have been the most successful in offsetting market outcomes, thus achieving a more equitable distribution of income and lower levels of poverty.

The Effect of Taxes and Transfers on Poverty

Sorting out the causal factors behind a country's poverty rate is a difficult task. Certainly, the health and structure of the economy and demographic change can affect the level and trend in poverty rates, within and between countries. Income transfers and tax policy also play a key role. Just as comparative research shows varied experience in the prevalence of poverty and inequality across countries, the ways in which nation-states fashion transfer and taxes to redistribute income are diverse.

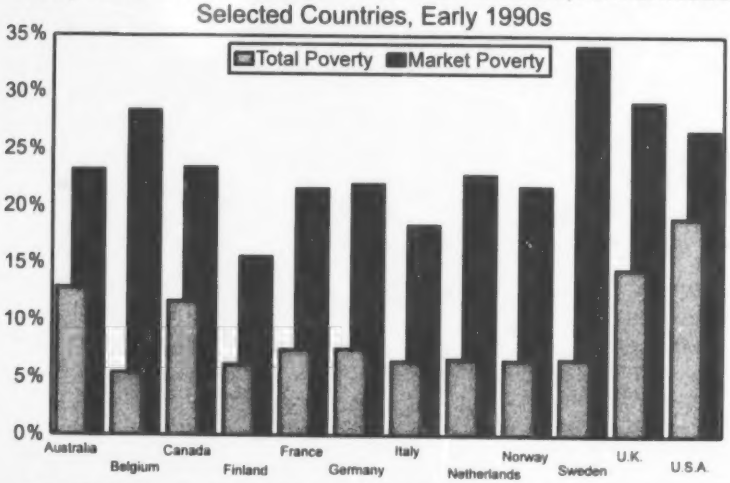
Table 9.5 looks at the impact of income transfers and taxes on poverty rates cross-nationally.[16] It shows a fairly wide variation in poverty rates among all

individuals based on market income only, ranging from a high in Sweden (34.1 per cent) to a low in Finland (15.6 per cent). Compared to all the other countries, Finnish labour markets appear to provide a much more equitable income distribution. This may in part be the result of other government programs and regulations such as equal pay legislation, centralized collective bargaining, or child care. In effect, a more equitable market distribution requires less demand for government tax and transfer interventions solely for anti-poverty purposes.

As seen in Figure 9.1, the introduction of taxes and transfers reduces the rates of poverty in all countries. However, nowhere is this more noticeable than in Sweden and Belgium. In these two countries, the tax and transfer system reduces market poverty rates by 80 per cent. In contrast, government tax and transfer interventions in the United States, the United Kingdom, Australia and Canada have considerably less impact on reducing poverty. The United States has the highest level of poverty based on disposable income; and their tax and transfer system results in the smallest impact on market poverty: 28.5 per cent.

A comparison of poverty rates among children and seniors shows that income security systems vary in their capacity to alleviate poverty. Table 9.5 reveals that countries tend to focus their anti-poverty initiatives on particular demographic groups. For example, rates of market poverty are generally much higher among seniors whose only access to market incomes is generally investment income.

Figure 9.1
Poverty Rates before and after Taxes and Transfers, All Individuals, Selected Countries, Early 1990s



Source: Timothy Smeeding, "Financial Poverty in Developed Countries: The Evidence from LIS," Luxembourg Income Study Working Paper No. 155, April 1997.

TABLE 9.5
MARKET VS. DISPOSABLE INCOME POVERTY AMONG INDIVIDUALS: THE EFFECT OF GOVERNMENT REDISTRIBUTION ON POVERTY, EARLY 1990S

	Poverty Levels, All Individuals			Child Poverty Levels		
Country	Market Income (%)	Disposable Income (%)	% Reduction	Market Income (%)	Disposable Income (%)	% Reduction
Australia	23.2	12.9	44.4	20.5	15.4	24.9
Belgium	28.4	5.5	80.6	17.2	4.4	74.4
Canada	**23.4**	**11.7**	**50.0**	**22.7**	**15.3**	**32.6**
Finland	15.6	6.2	60.3	11.6	2.7	76.7
France (1984)	21.6	7.5	65.3	27.4	7.4	73.0
Germany	22.0	7.6	65.5	11.7	8.6	26.5
Italy	18.4	6.5	64.7	11.0	10.5	4.5
Netherlands	22.8	6.7	70.6	15.2	8.3	45.4
Norway	21.8	6.6	69.7	12.7	4.9	61.4
Sweden	34.1	6.7	80.4	18.4	3.0	83.7
United Kingdom	29.2	14.6	50.0	28.7	18.5	35.5
United States (1994)	26.7	19.1	28.5	28.7	24.9	13.2

Notes:
Poverty is measured as 50 per cent of median adjusted disposable personal income for individuals.
Children are under 18 years.
Elderly are adults aged 65 and over.
Source: Timothy Smeeding, "Financial Poverty in Developed Countries: The Evidence from the LIS," Luxembourg Income Study Working Paper No. 155, April 1997, p. 34.

However, poverty rates for seniors drop substantially after taxes and transfers, notably in France, Sweden, the Netherlands, Italy and Canada. Compared to other English-speaking countries, Canada has achieved a remarkable reduction in seniors' poverty. The United States, the United Kingdom, Australia and Finland have the least effective tax transfer system for reducing seniors' poverty.

In contrast, rates of poverty among children suggest that many countries do relatively less for them. The various tax transfer systems vary widely in reducing child poverty. Sweden's system is the most effective, reducing poverty rates by over 80 per cent, followed by Finland, Belgium and France. The English-speaking countries as well as Italy, however, do relatively poorly. In Italy, market poverty rates drop by only 4.5 per cent, but their market child poverty rate is the lowest among all countries to begin with. In the United States, however, where children experience the highest levels of child poverty (28.7 per cent), the tax transfer system results in only a 13.2 per cent reduction in poverty. Countries with high rates of market-based poverty generally have lower rates of poverty reduction.

Trends in Social Spending

Canada is a low welfare spender by international standards, a fact that has significant consequences for the poor. The evidence presented in this chapter shows a strong

TABLE 9.5 (cont'd)

Elderly Poverty Levels		
Market Income (%)	**Disposable Income (%)**	**% Reduction**
70.2	21.6	69.2
88.9	11.9	86.6
58.2	**5.7**	**90.2**
43.6	14.4	67.0
79.9	4.8	94.0
65.8	7.5	88.6
55.7	4.4	92.1
65.5	4.1	93.7
68.0	13.5	80.1
91.6	6.4	93.0
68.5	23.9	65.1
58.7	19.6	66.6

relationship between the size of social expenditures – "welfare effort" – and reductions in poverty, especially among the elderly.[17] High-spending countries such as those in Scandinavia and in Northern Europe tend to produce lower poverty rates. Welfare states in these countries extend much higher levels of protection to their citizens than are available in the Anglo grouping of countries.

Table 9.6, which shows total social expenditure as a percentage of GDP, reveals that Sweden commits the largest proportional sum of public funds to income supports, health care and the like, while Australia and the United States commit the least.[18]

However, social expenditure is only part of the story. The character of income security programs also affects poverty. This book has looked at absolute levels of spending, but *how* money is spent is at least as important – if not more so, according to some authors. One extensive cross-national study found that welfare effort and pre-transfer need accounted for only 60 per cent of the differences in outcomes; efficiency factors – that is, how effectively the system targets transfers

TABLE 9.6
TOTAL GOVERNMENT SOCIAL EXPENDITURES (% OF GDP)

Country	1989 (%)	1990 (%)	1991 (%)	1992 (%)	1993 (%)	1994 (%)	1995 (%)	% point change '89-95	% change '89-95
Australia	13.2	14.5	15.6	16.4	16.4	16.0	15.6	2.4	18.2
Belgium	25.5	25.6	26.3	26.6	27.3	26.8	27.1	1.6	6.3
Canada	**16.6**	**17.8**	**19.9**	**20.5**	**20.5**	**19.5**	**18.6**	**2.0**	**12.0**
Finland	23.5	25.2	30.5	34.8	34.8	33.9	32.0	8.5	36.2
France	25.7	26.7	27.3	28.2	29.7	29.7	30.1	4.4	17.1
Germany	23.9	23.2	25.3	26.7	27.6	27.5	28.1	4.2	17.6
Italy	22.4	23.1	24.7	25.7	25.9	25.2	23.7	1.3	5.8
Netherlands	28.2	29.7	29.8	30.2	30.5	28.7	27.7	-0.5	-1.8
Norway	25.9	26.5	27.7	28.8	28.5	28.2	27.6	1.7	6.6
Sweden	31.4	32.2	34.3	36.4	36.9	35.9	33.0	1.6	5.1
United Kingdom	19.2	19.8	21.4	23.2	23.8	23.2	22.9	3.7	19.3
United States	13.4	13.9	15.0	15.7	16.0	15.9	16.1	2.7	20.1

Source: Organisation for Economic Co-operation and Development, 1999 Health Data, 8th edition.

– were also critical in reducing the numbers living in poverty.[19] In another study, Oxley *et al.* point to the increasing importance of taxes as an anti-poverty tool. The specific mix of transfers and taxes together – the level and degree of progressiveness of both – helps to explain the differences seen in the redistributive capacities of welfare states.[20]

Summary

The comparative research is clear on two points: without income security transfers, the extent of poverty would be much greater than it actually is; and the impact of income security is not diminishing, but has grown in importance.[21] With the notable exception of poverty among seniors, this comparative analysis shows that there is much to be done to improve the standing of the poor as well as reduce income inequality in Canada. Comparatively low levels of social expenditure, coupled with reliance on highly targeted and generally poorly paid income supports, has meant that many Canadians struggle on the margins of society.

Endnotes

1 United Nations Development Program, *Human Development Report 1998* (New York and Oxford: Oxford University Press, 1998), p. 29.

2 *Ibid.*, p. 25.

3 *Ibid.*

4 Amartya Sen, *Inequality Reexamined* (Cambridge, MA: Harvard University Press, 1992).

5 See Markus Jäntti and Sheldon Danziger, "Income Poverty in Advanced Countries," Luxembourg Income Study Working Paper No. 193, March 1999.

6 Organisation for Economic Co-operation and Development, *The OECD List of Social Indicators* (Paris: 1982), pp. 36-37. See Michael Förster, "Comparing Poverty in 13 OECD Countries: Traditional and Synthetic Approaches," Luxembourg Income Study Working Paper No. 100, September 1993.

7 Most cross-national studies use either a measure of gross income (as done in *The Canadian Fact Book on Poverty*) or subtract "direct taxes," that is, income and employee payroll taxes. In general, other types of personal or wealth taxes are excluded, while indirect taxes and consumption taxes are ignored altogether. Employer payroll taxes are assumed to fall on all employees equally. Tax expenditures (measures that reduce the level of taxable income) are also excluded, a practice which systematically tends to underreport the income of higher-income individuals, and in turn, distorts the measurement of low income. Comparative and domestic studies do not include indirect taxation because of the enormous difficulties involved. Consequently, this measure of disposable income is flawed.

[8] The LIS definition of poverty assumes that incomes are pooled within the household. As well, each member is assigned the equivalent disposable income. Equivalence scales enable the adjustment of the poverty line to household size, while taking into consideration the economies of scale relevant to different-sized households.

[9] Luxembourg Income Study, Low Income Statistics. *www.lissy.ceps.lu*

[10] See Timothy Smeeding, "Financial Poverty in Developed Countries: The Evidence from LIS," LIS Working Paper No. 155, April 1997; Bea Cantillon, "The Challenge of Poverty and Exclusion," *Family, Market and Community: Equity and Efficiency in Social Policy*, Social Policy Studies No. 21 (Paris: Organisation for Economic Co-operation and Development, 1997).

[11] The data on child poverty were drawn from Timothy Smeeding, "Child Poverty: Canada in Comparative Perspective," Paper presented at Canada in International Perspective 1999, Queen's University, August 26, 1999.

[12] There is some question about the quality of the Italian data. See Timothy Smeeding, "Child Poverty," *ibid.*

[13] See Bea Cantillon, "The Challenge of Poverty and Exclusion," *Family, Market and Community: Equity and Efficiency in Social Policy*, Social Policy Studies No. 21 (Paris: Organisation for Economic Co-operation and Development, 1997). See also Peter Gottschalk and Timothy Smeeding, "Empirical Evidence on Income Inequality in Industrialized Countries," Luxembourg Income Study Working Paper No. 154, Paris, February 1997.

[14] Luxembourg Income Study, Income Distribution Statistics. *www.lissy.ceps.lu*

[15] See Peter Gottschalk and Timothy Smeeding, "Empirical Evidence on Income Inequality in Industrialized Countries," Luxembourg Income Study Working Paper No. 154, Paris, February 1997. See also A.B. Atkinson, L. Rainwater and T. Smeeding, "Income Distribution in OECD Countries: The Evidence from the Luxembourg Income Study" (Paris: Organisation for Economic Co-operation and Development, 1995).

[16] Data for this section were drawn from Timothy Smeeding, "Financial Poverty in Developed Countries: The Evidence from LIS," Luxembourg Income Study Working Paper No. 155, Paris, April 1997, Table 7.

[17] See Michael Förster, "Comparing Poverty in 13 OECD Countries: Traditional and Synthetic Approaches," Luxembourg Income Study Working Paper No. 100, Paris, September 1993.

[18] Social expenditures include old age cash benefits, disability cash benefits, occupational injury and diseases, sickness benefits, services for the elderly and disabled, survivors, family cash benefits, family services, active labour market programs, unemployment, health, housing benefits, and other contingencies. Organisation for Economic Co-operation and Development, Health Data 1999, 8th edition, microdata.

[19] D. Mitchell, "Is there a trade off between the efficiency and effectiveness goals of income transfer programs?" *Journal of Income Distribution*, Vol. 5, No. 1, 1995.

Howard Oxley, Thai-Thanh Dang, Michael Förster and Michele Pellizzari, "Income Inequalities and Poverty among Children in Selected OECD Countries: Trends and Determinants," Paper presented at Child Well-Being in Rich and Transition Countries, Luxembourg, September 1999.

See Bea Cantillon, "The Challenge of Poverty and Exclusion," *Family, Market and Community: Equity and Efficiency in Social Policy*, Social Policy Studies No. 21 (Paris: Organisation for Economic Co-operation and Development, 1997), p. 123.

The evidence in this book demonstrates that larger numbers of Canadians are falling further behind economically. Inequality is growing, and economic growth is not having a positive impact on many lives. Rising levels of inequality and exclusion, marked by higher levels of poverty and income polarization documented in Chapter 3, lead to the marginalization of individuals, families and communities. It effectively places them well "outside" the mainstream of society.

To produce a more healthy and cohesive society, a number of issues highlighted in this book cry out for redress and action.

Issues Needing Redress

- **The rate and depth of poverty among working-age households is rising**

First noted in the 1980s, the rate and depth of poverty among working-age households has increased. This trend likely represents a structural increase in poverty because even at similar peaks in the business cycle, their situation has deteriorated. The labour market is failing to provide enough jobs with living wages and benefits. The growth in poverty among working-age households is explained in large measure by high rates of unemployment, the proliferation of low-wage employment, and barriers to employment. Put simply, the market has let Canadians in working-age households down.

This book's analysis ended with the most recent poverty data, which covered 1997. The fact that the economy improved through 1998 and 1999 – reflected in lower unemployment rates and steady productivity growth – is clearly positive. The number of full-time jobs has finally started to increase in sectors such as manufacturing, educational services and construction after a decade of non-standard employment growth. Canadians are expressing greater economic confidence today than over the past few years.[1] Whether these more recent improvements will turn around the trend towards higher poverty rates among working-age households is open to question. Looking at the record of the past, working-age poverty and income inequality have proved intractable. Although unemployment is falling, employment growth has not

kept up with population growth. Between 1989 and 1997, for instance, the working-age population grew by 10.2 per cent, while total employment grew by only 5.5 per cent. The ratio of the net gain in employment to growth in the working-age population over this period was 1:2.4. Theoretically, 2.4 people competed for each employment position created. The economy is still not generating or distributing enough employment to sustain all Canadians, and secure employment is key to reducing the incidence of poverty and closing the gap between the rich and poor.

Of those who have employment, many are employed in precarious situations – either part-time or temporary situations that have proliferated in the cost-reduction "just-in-time" economy of the 1990s. The rate of self-employment is also very high (around 17 per cent), particularly in comparison to many other countries. Although an elite group of self-employed are among Canada's top earners, the largest increases in this employment category have been among "own account" workers – those working just for themselves – who earn on average much less than paid employees and do not have access to workplace benefits.

Precarious work coupled with low wages has been an impediment to reducing and preventing poverty in Canada. The market incomes of most working-age households, especially among those at the bottom of the income ladder, have not rebounded. The erosion of market incomes is perhaps most graphically revealed in the growth in the rate and depth of market poverty. Between 1981 and 1997, the proportion of families living on market poverty incomes grew by almost half, while the average depth of market poverty increased by 16.9 per cent to $11,982. Canadians' incomes were shrinking as the costs of basics such as housing and transportation continued to rise.

An economic recovery is underway in many areas of Canada, but not all Canadians are enjoying this renewed prosperity. Polarized economic growth masks the fact that not all boats are being lifted by the tide of record corporate profits and spiralling high-tech stock prices. Although records are being broken on stock exchanges, the use of food banks and shelters for the homeless have also hit all-time highs.

- **Government transfers and services – critical tools for reducing poverty – are threatened**

The economic plight of working-age households would have been more pronounced if government transfers had not been in place to partially offset the rise in market poverty. Although average transfer payments to working-age households increased between 1981 and 1997 (by roughly $1,000 in 1997 constant dollars), they did not increase by enough to offset the poor performance of market income. Unless

the Canadian economy experiences a spectacular and sustained rebound, working-age households will continue to rely on government assistance. But will government assistance be there to help them? If not, a continuation of the increase in working-age poverty can be expected.

Since 1945, Canada has constructed a modest network of income security programs and social services. Significant increases in social spending were recorded through the 1960s and 1970s with the establishment of major programs including the Canada Assistance Plan, the Canada Pension Plan and Employment Insurance. However, much has changed since the "Golden Age" of 30 years ago.

Although expenditure reductions were evident in the late 1970s, downsizing of the welfare state began in earnest after the election of the Progressive Conservative government in 1984. In relation to Canada's overall economic activity as measured by the gross domestic product (GDP), federal social spending[4] rose in the early 1980s to meet the increased needs caused by the 1981-1982 recession. It peaked in 1983-1984 at 12.3 per cent of GDP, then declined from 12.1 per cent in 1984-1985 to 10.7 per cent in 1990-1991, indicating that social spending was growing more slowly than the Canadian economy.[5]

Through the recession of the early 1990s, social spending by both levels of governments increased again, notably at the provincial level. However, since 1992/93, program spending at both the federal and provincial levels has fallen. Before the onset of the recession, total federal program spending including transfers to individuals and governments was 15.8 per cent of GDP. In 1992-93, it reached 17.5 per cent. It has subsequently fallen to 12.2 per cent in the 1999-2000 fiscal year and is projected to fall further. The federal government claims that program spending is now at a 50-year low. Between 1989-90 and 1999-2000, transfers to individuals have fallen from 4.6 per cent to 4.1 per cent of GDP; transfers to other governments – monies that fund social assistance, health care, post-secondary education and community services – have fallen from 3.6 per cent to 2.2 per cent of GDP.[6]

By international standards, Canada is a low spender on income maintenance, health and education as a proportion of GDP (see Table 9.6). In 1986, social expenditures stood at 22.3 per cent of GDP; in 1995, this had fallen to 18.6 per cent.[7] This low standing is in large measure due to the comparatively impoverished status of the income security system in terms of scope of eligibility, systemic disincentives to takeup, and the degree to which benefits approximate market earnings.

Reforms of the past decade suggest that the situation is going to deteriorate further. On the one hand, increased targeting of Canada's already highly targeted

income programs to the poorest of the poor has reduced the redistributional impact of programs among modest- and middle-income Canadians.[8] On the other hand, more highly targeted income support programs have been accompanied by overall cutbacks in transfers to individuals through specific programs such as social assistance and Employment Insurance.

As most Canadians know firsthand, cutbacks have not been confined to income transfer programs. Many families are struggling with federal, provincial and municipal cutbacks in social programs and community services. They face higher user fees for programs such as child care, public transportation, home care, English/French as a Second Language and recreation. These programs – often taken for granted – are critical to the well-being of all families as well as communities. Arguments in favour of tax cuts seem to ignore the critical role that governments play in redistributing income and in providing equitable access to public services that help to create a level playing field for all members of the community. Only a minority of households can afford to purchase *all* needed goods and services in the private market.

All Canadians suffer the hardships of cutbacks. However, low-income Canadians have no recourse as governments unravel the social safety net. Because a majority of poor households rely on transfers for their income, cutbacks in transfer programs push them further below the poverty line. Canadians who face significant barriers to their labour market participation – lone-parent mothers, Aboriginal peoples, persons with disabilities – are increasingly being consigned to subsistence-level incomes and services.

- **Young families and children are particularly vulnerable**

Many pieces of evidence in this book highlight the importance of governments in reducing poverty and income inequality. The success of income security programs in reducing seniors' poverty stands out as one of Canada's most notable achievements of the past quarter-century. Success in addressing seniors' poverty, however, serves to magnify the country's failure in addressing the problem of poverty among children and young families.

The age distribution of poverty has shifted markedly; in particular, poverty has increased among young households, that is, households where one or both adults are less than 25 years of age. In 1981, a young family faced a 21.7 per cent chance of being poor; by 1997, however, the rate among young families had more than doubled (46.1 per cent). The rate among young unattached individuals rose from 38.9 per cent in 1981 to 60.7 per cent in 1997. Among families in the next age group (those where the oldest member was between 25 and 34 years), poverty rates increased by 58 per cent – from 12.0 per cent in 1981 to 18.9 per cent in 1997.

The marked increase in poverty is related to the difficulties young people continue to have in accessing secure employment at living wages. The majority who are employed hold down one or more part-time or temporary jobs, often while juggling the demands of school. While this situation may well suit a number of people in this group, the fact is that secure employment remains out of reach for many who cannot sustain themselves or young families on a part-time job at the mall. The earnings of young men in particular were much lower than in previous years as traditionally well-paying jobs in the blue-collar sectors declined substantially.[9] The promise of economic autonomy seems further and further out of reach.

In an economy where young people struggle to establish themselves economically, it is perhaps not surprising that one out of five of Canada's youngest citizens – 1.4 million children – are growing up in poverty. Overall, over one-quarter of all the poor people in Canada were children in 1997. The rate of child poverty increased by 38 per cent between 1989 and 1997 to 19.9 per cent.

In 1989, the House of Commons unanimously passed a resolution to eliminate child poverty by the year 2000. After 10 years of persistent effort by grassroots organizations, governments reiterated their concern about poor children but have done little to tackle the roots of child and family poverty. Indeed, Canada stands out by international standards as having no coherent family policy. The patchwork of programs that are in place across the country tend to be highly targeted and of varying quality. Mounting pressures on families struggling to balance family, employment and community obligations is resulting in stress and poor health among parents.[10] It is hard to escape the conclusion that children are thought of more as the "private goods" of parents, rather than as a collective national treasure and responsibility.

One situation in particular must be noted. The rate of poverty among lone-parent mothers with dependent children was 56.0 per cent in 1997, up from 52.9 per cent in 1981 and 1989. The trend is towards more poor children living in lone-parent families. In 1981, 33 per cent of all poor children lived with a lone parent, but by 1997 it had risen to 43 per cent. Relative to the poverty rates among children in other industrial countries, the rates in Canada and other English-speaking countries are high, especially for children in lone-parent families. The facts show that the big differences between poor and non-poor lone-parent mothers are in age and educational attainment. Poor lone-parent mothers are younger and have less formal education. If society cannot provide these young mothers with both the means to pursue their own educational goals and a supportive environment in which to raise their children, the future for these families is bleak.

Young people have responded to the costs and stresses of having children in today's society by delaying childbearing (31 per cent of births in 1997 were to mothers

over age 30 compared to 19 per cent a decade earlier) or opting out altogether. Falling birth rates are a clear indicator of the deterioration of economic conditions among young Canadian families. In effect, children are being priced out of the market; children are becoming a luxury that many average income-earners feel they cannot afford.[11]

There are alternatives. Various European countries place a much higher value on achieving social solidarity and cohesion, and consequently, on providing support for children and families as an acknowledgement of society's collective responsibility for its citizens. Canada, on the other hand, is committed to extending public assistance but only to those deemed "most needy." These different social goals are reflected in the policies and programs that countries pursue, and most importantly, in the outcomes of children. It is no surprise that the United States – with the highest levels of child poverty among industrialized countries – also has consistently worse child outcomes, for example, higher infant mortality rates, and higher rates of aggression and obesity.[12]

Canada has shown by its treatment of the elderly that poverty can be substantially reduced. It is now time to reduce the debilitating effects of poverty on the country's most precious resource – our children.

Taking Action

Debates around the definition of poverty have been making headlines in the past few years. Critics argue that Statistics Canada's traditional pre-tax low income cut-offs vastly overestimate the rate of poverty, and that a more objective measure of deprivation is needed. Many of the critics focus on the need to define a bare subsistence minimum, while others argue for a level of income that goes beyond physical subsistence and provides for social inclusion.

In the authors' view, the definition of poverty is about defining an acceptable floor for the distribution of Canada's income. It is about producing an income structure that makes all Canadians feel part of society. It is about social cohesion. It is about providing a level of family income that reduces the chances of bad outcomes for children. Constant polling of Canadians plus the results of empirical research on the impact of low income on a range of child outcomes demonstrate that this floor level of income is around $30,000-$35,000 for a family of four. This is around the level that the traditional Statistics Canada measure suggests, which most users refer to as the poverty line.

Unfortunately, the endless debate deflects attention away from what *should* be the genuine poverty debate: how to best raise the incomes of low-income Canadians

whose incomes are unacceptably low by any modern-day standard. Energies spent on discrediting the LICO are better spent developing new programs and policies for dealing with poverty, especially child poverty. Whether or not the Statistics Canada low-income measure is acceptable as the nation's poverty line is currently irrelevant because the average Canadian poor household is more than $7,000 dollars below the line anyway. This situation represents a level of income below all but one of the many poverty standards surveyed in Chapter 2. So if debate must continue, in the meantime efforts can be made to begin raising the incomes of the lowest-income households before there can be any fear of overshooting any sensible measure of poverty, including Statistics Canada's low income cut-offs.

Canada's Challenge

The findings of this book suggest that government policy has not been successful in lowering rates of poverty, especially among families with children or other working-age adults, or in addressing the challenges facing the modern welfare state. Growing market poverty and income inequality is *the* pressing problem in Canada today. Across industrialized countries, the OECD notes that poverty and need are shifting towards the working-age population – that is, those groups who are assumed to be self-sufficient.[13] These are precisely the groups who need assistance to offset the pressures and uncertainties of the globalizing economy. At this juncture, Canada's challenge is to build on the success in addressing senior's poverty, and to introduce public and private policies that make paid employment and income protection more compatible among the working-age population. The economic security of this group can no longer be taken for granted.

Endnotes

1 Canadian Council on Social Development, *Personal Security Index 2000: A reflection of how Canadians feel* (Ottawa: April 2000), pp. 7-11.

2 Andrew Jackson *et al.*, *Falling Behind: The State of Working Canada, 2000* (Ottawa: Canadian Centre for Policy Alternatives, 2000), chapter 2.

3 Statistics Canada, *Income After Tax, Distributions by Size in Canada, 1997* (Ottawa: 1999), pp. 34-35.

4 Social spending refers to transfers to persons, cash transfers to other levels of government, other major social transfers, and transfers to the Canada Mortgage and Housing Corporation and the CBC. See James Rice and Michael Prince, "Lowering the Safety Net," *How Ottawa Spends 1993-94* (Ottawa: Carleton University Press, 1993).

5 *Ibid.*, p. 386.

[8] Department of Finance, Fiscal Reference Tables, *Budget Plan* 1999 (Ottawa: 1999); Department of Finance, Fiscal Reference Tables, *Budget Plan* 2000 (Ottawa: 2000).

Organisation for Economic Co-operation and Development, *OECD in Figures*, selected years.

[9] Banting, Hoberg and Simeon estimate that targeted or selective income transfers now make up 52 per cent of total income security, up from 20 per cent in 1960. Keith Banting, George Hoberg and Richard Simeon, "The Social Policy Divide: The Welfare State in Canada and the United States," in *Degrees of Freedom: Canada and the United States in a Changing World*, ed. Banting, Hoberg and Simeon (Montreal: McGill-Queen's University Press, 1997); cited in John Myles and Paul Pierson, "Friedman's Revenge: The Reform of "Liberal" Welfare States in Canada and the United States," *Politics and Society*, Vol. 25, No. 4, 1997, p. 448.

[10] Canadian Council on Social Development, *Youth at Work in Canada* (Ottawa: 1999).

[11] Jane Jenson with Sherry Thompson, "Comparative Family Policy: Six Provincial Stories," CPRN Study No. F/08, 1999.

[12] Statistics Canada, *Report on the Demographic Situation in Canada*, 1998-99, Catalogue 91-209-XPE, 1999; Garnett Picot and John Myles, "Social transfers, changing family structures and low-income among children," *Canadian Public Policy*, Vol. 22, pp. 244-267.

[13] Shelley Phipps, "An International Comparison of Policies and Outcomes of Young Children," CPRN Study No. F/05, 1999.

[14] Bea Cantillon, "The Challenge of Poverty and Exclusion," *Family, Market and Community: Equity and Efficiency in Social Policy*, Social Policy Studies No. 21 (Paris: Organisation for Economic Co-operation and Development, 1997), p. 134.

Appendix

The Canadian Fact Book on Poverty 2000

TABLE A.1

NEWFOUNDLAND

SUMMARY POVERTY DATA - 1997

Number of households:	201,568
Number of poor households:	47,710
Household poverty rate:	23.7%
Total poverty gap (millions):	$284
Average poverty gap per household:	$5,973
Total market income gap (millions):	$726
Number of poor children (0-17 years):	29,600
Rate of child poverty:	22.8%
Average size of poor households:	2.41
Unemployment rate (all persons 15+) :	18.8%

NUMBER, PERCENTAGE DISTRIBUTION AND INCIDENCE OF POOR HOUSEHOLDS, BY SELECTED CHARACTERISTICS, 1997

Characteristic	Number ('000)	Distribution 100%	Incidence %
Size of community			
500,000 +	n.a.	n.a.	n.a.
other urban areas	33	68.2%	25.5%
rural areas	15	31.8%	20.5%
Age			
< 25	—	—	—
25-34	12	24.2%	31.3%
35-44	7	15.5%	15.1%
45-54	8	15.9%	17.8%
55-64	8	16.1%	27.1%
65 +	10	20.1%	24.6%
Family type			
Non-elderly			
couple with no children < 18	9	20.1%	15.0%
couple with children < 18	11	24.8%	15.9%
female lone parent with children < 18	* 5	* 10.6%	* 71.7%
unattached individual < 65	12	24.5%	53.1%
Elderly			
couple	—	—	—
unattached individual 65 +	* 7	* 14.4%	* 47.5%
Education			
less than high school graduate	28	59.2%	32.5%
high school graduate (may have some post-secondary)	9	19.4%	26.7%
completed post-secondary	10	21.4%	12.8%
Employment status			
Non-elderly			
worked full year	* 6	* 16.3%	* 6.6%
less than a full year	12	30.4%	29.5%
no weeks of work	20	53.3%	69.6%

Notes:
— Estimates are too unreliable to publish.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.
Unemployment rate (all persons 15+) based on Statistics Canada's Labour Force Survey, 1998.

TABLE A.2

PRINCE EDWARD ISLAND

SUMMARY POVERTY DATA - 1997

Number of households:	54,839
Number of poor households:	10,400
Household poverty rate:	19.0%
Total poverty gap (millions):	$45
Average poverty gap per household:	$4,743
Total market income gap (millions):	$124
Number of poor children (0-17 years):	5,100
Rate of child poverty:	14.9%
Average size of poor households:	2.24
Unemployment rate (all persons 15+):	14.9%

NUMBER, PERCENTAGE DISTRIBUTION AND INCIDENCE OF POOR HOUSEHOLDS, BY SELECTED CHARACTERISTICS, 1997

Characteristic	Number ('000)	Distribution 100%	Incidence %
Size of community			
500,000 +"	n.a.	n.a.	n.a.
other urban areas	7	69.8%	26.7%
rural areas	3	30.2%	11.4%
Age			
< 25	—	—	—
25-34	* 2	* 18.3%	* 19.3%
35-44	* 2	* 17.7%	* 15.7%
45-54	—	—	—
55-64	—	—	—
65 +	* 2	* 23.8%	* 20.6%
Family type			
Non-elderly			
couple with no children < 18	—	—	—
couple with children < 18	—	—	—
female lone parent with children < 18	—	—	—
unattached individual < 65	5	44.9%	41.5%
Elderly			
couple	—	—	—
unattached individual 65 +	* 2	* 22.1%	* 40.9%
Education			
less than high school graduate	5	44.4%	21.3%
high school graduate (may have some post-secondary)	* 3	* 26.7%	* 25.5%
completed post-secondary	3	28.9%	13.6%
Employment status			
Non-elderly			
worked full year	* 2	* 21.6%	* 5.9%
less than a full year	4	49.8%	38.4%
no weeks of work	* 2	* 28.6%	* 65.0%

Notes:
— Estimates are too unreliable to publish.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.
Unemployment rate (all persons 15+) based on Statistics Canada's Labour Force Survey, 1998.

TABLE A.3
NOVA SCOTIA

SUMMARY POVERTY DATA - 1997

Number of households:	386,095
Number of poor households:	83,312
Household poverty rate:	21.6%
Total poverty gap (millions):	$514
Average poverty gap per household:	$6,171
Total market income gap (millions):	$1,108
Number of poor children (0-17 years):	48,200
Rate of child poverty:	22.5%
Average size of poor households:	2.31
Unemployment rate (all persons 15+):	12.2%

NUMBER, PERCENTAGE DISTRIBUTION AND INCIDENCE OF POOR HOUSEHOLDS, BY SELECTED CHARACTERISTICS, 1997

Characteristic	Number ('000)	Distribution 100%	Incidence %
Size of community			
500,000 +	n.a.	n.a.	n.a.
other urban areas	62	74.3%	23.6%
rural areas	21	25.7%	17.3%
Age			
< 25	16	19.1%	71.6%
25-34	16	18.7%	23.1%
35-44	14	16.7%	15.9%
45-54	12	14.4%	15.5%
55-64	12	14.3%	23.3%
65 +	14	16.8%	17.4%
Family type			
Non-elderly			
couple with no children < 18	13	15.3%	11.9%
couple with children < 18	11	12.9%	11.1%
female lone parent with children < 18	14	17.0%	67.3%
unattached individual < 65	31	38.0%	39.1%
Elderly			
couple	—	—	—
unattached individual 65 +	12	14.3%	33.1%
Education			
less than high school graduate	38	45.1%	29.1%
high school graduate (may have some post-secondary)	16	19.3%	22.0%
completed post-secondary	30	35.6%	16.1%
Employment status			
Non-elderly			
worked full year	16	23.1%	7.6%
less than a full year	23	33.9%	47.7%
no weeks of work	30	43.0%	64.7%

Notes:
— Estimates are too unreliable to publish.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata. Unemployment rate (all persons 15+) based on Statistics Canada's Labour Force Survey, 1998.

TABLE A.4

NEW BRUNSWICK

SUMMARY POVERTY DATA - 1997

Number of households:	303,067
Number of poor households:	65,303
Household poverty rate:	21.5%
Total poverty gap (millions):	$391
Average poverty gap per household:	$5,990
Total market income gap (millions):	$875
Number of poor children (0-17 years):	34,200
Rate of child poverty:	20.1%
Average size of poor households:	2.20
Unemployment rate (all persons 15+):	12.8%

NUMBER, PERCENTAGE DISTRIBUTION AND INCIDENCE OF POOR HOUSEHOLDS, BY SELECTED CHARACTERISTICS, 1997

Characteristic	Number ('000)	Distribution 100%	Incidence %
Size of community			
500,000 +	n.a.	n.a.	n.a.
other urban areas	45	69.6%	25.3%
rural areas	20	30.4%	16.1%
Age			
< 25	* 10	* 14.9%	* 61.8%
25-34	12	17.8%	22.3%
35-44	14	21.3%	19.8%
45-54	9	13.4%	14.4%
55-64	9	13.1%	21.5%
65 +	13	19.5%	19.7%
Family type			
Non-elderly			
couple with no children < 18	9	14.7%	10.7%
couple with children < 18	10	15.4%	12.1%
female lone parent with children < 18	8	13.2%	57.4%
unattached individual < 65	23	37.2%	43.9%
Elderly			
couple	—	—	—
unattached individual 65 +	11	18.2%	43.4%
Education			
less than high school graduate	32	48.4%	29.7%
high school graduate (may have some post-secondary)	16	25.2%	22.1%
completed post-secondary	17	26.4%	14.1%
Employment status			
Non-elderly			
worked full year	9	17.5%	5.8%
less than a full year	21	39.3%	43.9%
no weeks of work	23	43.2%	70.6%

Notes:
— Estimates are too unreliable to publish.
* Estimate less reliable due to small sample size.
n.a. = not applicable
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.
Unemployment rate (all persons 15+) based on Statistics Canada's Labour Force Survey, 1998.

TABLE A.5
QUEBEC

SUMMARY POVERTY DATA - 1997

Number of households:	3,184,111
Number of poor households:	855,760
Household poverty rate:	26.9%
Total poverty gap (millions):	$5,864
Average poverty gap per household:	$6,853
Total market income gap (millions):	$12,846
Number of poor children (0-17 years):	334,400
Rate of child poverty:	20.5%
Average size of poor households:	1.94
Unemployment rate (all persons 15+):	11.4%

NUMBER, PERCENTAGE DISTRIBUTION AND INCIDENCE OF POOR HOUSEHOLDS, BY SELECTED CHARACTERISTICS, 1997

Characteristic	Number ('000)	Distribution 100%	Incidence %
Size of community			
500,000 +	547	63.9%	29.7%
other urban areas	232	27.1%	26.1%
rural areas	76	8.9%	16.8%
Age			
< 25	91	10.6%	58.4%
25-34	142	16.6%	25.1%
35-44	156	18.2%	20.5%
45-54	111	13.0%	16.9%
55-64	135	15.8%	31.6%
65 +	222	25.9%	35.8%
Family type			
Non-elderly			
couple with no children < 18	119	13.9%	14.1%
couple with children < 18	91	10.6%	12.4%
female lone parent with children < 18	92	10.7%	55.2%
unattached individual < 65	23	35.8%	43.9%
Elderly			
couple	* 28	* 3.4%	* 10.4%
unattached individual 65 +	189	22.1%	61.9%
Education			
less than high school graduate	432	50.4%	37.9%
high school graduate (may have some post-secondary)	166	19.4%	27.0%
completed post-secondary	258	30.1%	18.1%
Employment status			
Non-elderly			
worked full year	154	24.2%	8.5%
less than a full year	144	22.7%	45.5%
no weeks of work	337	53.1%	77.8%

Notes:
— Estimates are too unreliable to publish
* Estimate less reliable due to small sample size
n.a. = not applicable
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata. Unemployment rate (all persons 15+) based on Statistics Canada's Labour Force Survey, 1998.

TABLE A.6
ONTARIO

SUMMARY POVERTY DATA - 1997

Number of households:	4,598,760
Number of poor households:	901,190
Household poverty rate:	19.6%
Total poverty gap (millions):	$6,879
Average poverty gap per household:	$7,634
Total market income gap (millions):	$13,448
Number of poor children (0-17 years):	537,600
Rate of child poverty:	19.9%
Average size of poor households:	2.37
Unemployment rate (all persons 15+):	8.5%

NUMBER, PERCENTAGE DISTRIBUTION AND INCIDENCE OF POOR HOUSEHOLDS, BY SELECTED CHARACTERISTICS, 1997

Characteristic	Number ('000)	Distribution 100%	Incidence %
Size of community			
500,000 +	559	62.0%	23.3%
other urban areas	303	33.6%	17.7%
rural areas	93	4.4%	8.2%
Age			
< 25	122	13.6%	51.4%
25-34	189	20.9%	21.7%
35-44	181	20.1%	16.1%
45-54	120	13.4%	13.8%
55-64	110	12.2%	18.7%
65 +	179	19.8%	19.7%
Family type			
Non-elderly			
couple with no children < 18	95	10.7%	8.1%
couple with children < 18	152	17.1%	12.5%
female lone parent with children < 18	114	12.9%	55.6%
unattached individual < 65	350	39.6%	33.6%
Elderly			
couple	* 20	* 2.2%	* 4.5%
unattached individual 65 +	154	17.5%	37.5%
Education			
less than high school graduate	340	37.7%	26.7%
high school graduate (may have some post-secondary)	277	30.7%	23.2%
completed post-secondary	284	31.5%	13.3%
Employment status			
Non-elderly			
worked full year	255	35.3%	8.8%
less than a full year	190	26.2%	50.6%
no weeks of work	278	38.4%	64.9%

Notes:
— Estimates are too unreliable to publish.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.
Unemployment rate (all persons 15+) based on Statistics Canada's Labour Force Survey, 1998.

TABLE A.7
MANITOBA

SUMMARY POVERTY DATA - 1997

Number of households:	461,494
Number of poor households:	116,519
Household poverty rate:	25.2%
Total poverty gap (millions):	$795
Average poverty gap per household:	$6,872
Total market income gap (millions):	$1,618
Number of poor children (0-17 years):	59,600
Rate of child poverty:	22.1%
Average size of poor households:	2.12
Unemployment rate (all persons 15+):	6.6%

NUMBER, PERCENTAGE DISTRIBUTION AND INCIDENCE OF POOR HOUSEHOLDS, BY SELECTED CHARACTERISTICS, 1997

Characteristic	Number ('000)	Distribution 100%	Incidence %
Size of community			
500,000 +	90	77.6%	29.4%
other urban areas	16	13.5%	21.2%
rural areas	10	8.9%	13.1%
Age			
< 25	20	16.8%	62.2%
25-34	23	19.5%	27.5%
35-44	19	16.7%	19.0%
45-54	12	10.3%	14.7%
55-64	12	10.6%	21.5%
65 +	30	26.0%	28.8%
Family type			
Non-elderly			
couple with no children < 18	11	9.7%	10.1%
couple with children < 18	14	12.5%	12.5%
female lone parent with children < 18	15	13.1%	66.3%
unattached individual < 65	44	38.6%	43.1%
Elderly			
couple	—	—	—
unattached individual 65 +	27	23.5%	49.1%
Education			
less than high school graduate	53	45.8%	34.4%
high school graduate (may have some post-secondary)	29	24.6%	24.8%
completed post-secondary	34	29.6%	18.0%
Employment status			
Non-elderly			
worked full year	35	40.4%	12.5%
less than a full year	24	27.3%	56.9%
no weeks of work	28	32.3%	77.4%

Notes:
— Estimates are too unreliable to publish.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata. Unemployment rate (all persons 15+) based on Statistics Canada's Labour Force Survey, 1998.

TABLE A.8
SASKATCHEWAN

SUMMARY POVERTY DATA - 1997

Number of households:	417,000
Number of poor households:	81,000
Household poverty rate:	19.4%
Total poverty gap (millions):	$470
Average poverty gap per household:	$5,796
Total market income gap (millions):	$989
Number of poor children (0-17 years):	50,200
Rate of child poverty:	19.5%
Average size of poor households:	2.29
Unemployment rate (all persons 15+) :	6.0%

NUMBER, PERCENTAGE DISTRIBUTION AND INCIDENCE OF POOR HOUSEHOLDS, BY SELECTED CHARACTERISTICS, 1997

Characteristic	Number ('000)	Distribution 100%	Incidence %
Size of community			
500,000 +	n.a.	n.a.	n.a.
other urban areas	65	80.7%	22.1%
rural areas	16	19.3%	13.0%
Age			
< 25	21	25.4%	53.6%
25-34	15	18.5%	21.6%
35-44	12	15.3%	13.8%
45-54	* 7	* 8.7%	* 10.2%
55-64	8	9.9%	16.2%
65 +	18	22.1%	17.8%
Family type			
Non-elderly			
couple with no children < 18	9	11.2%	9.6%
couple with children < 18	8	10.0%	7.9%
female lone parent with children < 18	15	19.0%	61.2%
unattached individual < 65	30	38.1%	31.3%
Elderly			
couple	—	—	—
unattached individual 65 +	16	20.6%	32.4%
Education			
less than high school graduate	38	46.8%	25.5%
high school graduate (may have some post-secondary)	23	28.1%	21.0%
completed post-secondary	20	25.2%	12.7%
Employment status			
Non-elderly			
worked full year	22	34.4%	8.8%
less than a full year	22	34.6%	53.9%
no weeks of work	20	31.0%	67.3%

Notes:
— Estimates are too unreliable to publish.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.
Unemployment rate (all persons 15+) based on Statistics Canada's Labour Force Survey, 1998.

TABLE A.9
ALBERTA

SUMMARY POVERTY DATA - 1997

Number of households:	1,176,499
Number of poor households:	247,016
Household poverty rate:	21.0%
Total poverty gap (millions):	$1,842
Average poverty gap per household:	$7,456
Total market income gap (millions):	$2,968
Number of poor children (0-17 years):	117,500
Rate of child poverty:	16.2%
Average size of poor households:	2.34
Unemployment rate (all persons 15+):	6.0%

NUMBER, PERCENTAGE DISTRIBUTION AND INCIDENCE OF POOR HOUSEHOLDS, BY SELECTED CHARACTERISTICS, 1997

Characteristic	Number ('000)	Distribution 100%	Incidence %
Size of community			
500,000 +	188	76.1%	24.5%
other urban areas	43	17.2%	15.9%
rural areas	16	6.7%	11.6%
Age			
< 25	65	26.4%	59.0%
25-34	55	22.1%	23.0%
35-44	38	15.2%	12.7%
45-54	30	12.1%	13.9%
55-64	25	9.9%	19.5%
65 +	35	14.3%	18.3%
Family type			
Non-elderly			
couple with no children < 18	27	11.4%	9.4%
couple with children < 18	31	12.7%	9.8%
female lone parent with children < 18	31	12.8%	59.1%
unattached individual < 65	120	49.8%	38.4%
Elderly			
couple	—	—	—
unattached individual 65 +	28	11.7%	32.8%
Education			
less than high school graduate	70	28.1%	25.0%
high school graduate (may have some post-secondary)	89	36.0%	28.4%
completed post-secondary	89	35.9%	15.1%
Employment status			
Non-elderly			
worked full year	87	41.0%	11.1%
less than a full year	84	39.7%	58.2%
no weeks of work	41	19.3%	98.2%

Notes:
— Estimates are too unreliable to publish.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.
Unemployment rate (all persons 15+) based on Statistics Canada's Labour Force Survey, 1998.

TABLE A.10
BRITISH COLUMBIA

SUMMARY POVERTY DATA - 1997

Number of households:	1,707,854
Number of poor households:	396,631
Household poverty rate:	23.2%
Total poverty gap (millions):	$2,854
Average poverty gap per household:	$7,196
Total market income gap (millions):	$5,604
Number of poor children (0-17 years):	174,100
Rate of child poverty:	19.7%
Average size of poor households:	2.19
Unemployment rate (all persons 15+):	8.7%

NUMBER, PERCENTAGE DISTRIBUTION AND INCIDENCE OF POOR HOUSEHOLDS, BY SELECTED CHARACTERISTICS, 1997

Characteristic	Number ('000)	Distribution 100%	Incidence %
Size of community			
500,000 +	225	56.7%	26.5%
other urban areas	144	36.3%	22.4%
rural areas	28	7.0%	12.8%
Age			
< 25	57	14.3%	50.3%
25-34	77	19.4%	23.9%
35-44	80	20.2%	19.8%
45-54	55	14.0%	16.6%
55-64	41	10.2%	20.0%
65 +	87	21.9%	26.1%
Family type			
Non-elderly			
couple with no children < 18	38	9.7%	9.4%
couple with children < 18	49	12.6%	12.7%
female lone parent with children < 18	39	10.1%	48.2%
unattached individual < 65	176	45.5%	36.9%
Elderly			
couple	—	—	—
unattached individual 65 +	73	18.8%	43.8%
Education			
less than high school graduate	126	31.7%	33.8%
high school graduate (may have some post-secondary)	134	33.8%	26.0%
completed post-secondary	137	34.5%	16.7%
Employment status			
Non-elderly			
worked full year	91	29.5%	9.1%
less than a full year	90	29.2%	46.3%
no weeks of work	128	41.3%	73.8%

Notes:
— Estimates are too unreliable to publish.
* Estimate less reliable due to small sample size.
n.a. = not applicable.
Source: Tabulations by the authors based on Statistics Canada's Survey of Consumer Finances microdata.
Unemployment rate (all persons 15+) based on Statistics Canada's Labour Force Survey, 1998

Appendix

The Canadian Fact Book on Poverty 2000

TABLE B.1: St. John's

	All Households	Poor Households	
Average total income	$43,295	$9,515	
Average poverty gap	n.a	$8,554	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	40,600	12,100	29.8%
Unattached individuals	13,100	6,400	48.6%
Families	27,500	5,700	20.7%
Persons	99,800	23,500	23.5%
Females	52,400	13,100	24.9%
Males	47,400	10,400	21.8%
Vulnerable Groups			
Children (0-17)	21,900	6,100	27.7%
Lone-parent families	3,100	2,100	65.8%
Visible minorities	2,000	600	29.6%
Aboriginal identity	400	100	32.9%
With disability	10,300	3,600	34.6%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.2: Charlottetown

	All Households	Poor Households	
Average total income	$38,534	$11,044	
Average poverty gap	n.a	$6,282	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	13,950	4,055	29.1%
Unattached individuals	5,545	2,510	45.3%
Families	8,405	1,545	18.4%
Persons	31,170	7,095	22.8%
Females	16,730	4,270	25.5%
Males	14,440	2,825	19.6%
Vulnerable Groups			
Children (0-17)	6,965	1,905	27.4%
Lone-parent families	1,175	745	63.4%
Visible minorities	n.a	n.a	n.a
Aboriginal identity	290	155	53.4%
With disability	4,245	1,610	37.9%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.3: Halifax

	All Households	Poor Households	
Average total income	$39,974	$9,017	
Average poverty gap	n.a	$7,920	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	56,400	16,700	29.6%
Unattached individuals	27,100	11,200	41.4%
Families	29,300	5,500	18.6%
Persons	110,700	27,200	24.6%
Females	59,000	15,200	25.7%
Males	51,700	12,000	23.1%
Vulnerable Groups			
Children (0-17)	19,300	5,900	30.3%
Lone-parent families	3,500	2,200	61.5%
Visible minorities	10,900	4,700	43.4%
Aboriginal identity	500	300	52.0%
With disability	13,900	4,800	34.8%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.4: Fredericton

	All Households	Poor Households	
Average total income	$43,082	$9,517	
Average poverty gap	n.a	$7,534	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	21,280	5,580	26.2%
Unattached individuals	8,360	3,485	41.7%
Families	12,920	2,095	16.2%
Persons	45,835	9,480	20.7%
Females	24,160	5,435	22.5%
Males	21,675	4,045	18.7%
Vulnerable Groups			
Children (0-17)	8,940	2,220	24.8%
Lone-parent families	1,410	795	56.4%
Visible minorities	n.a	n.a	n.a
Aboriginal identity	430	210	48.8%
With disability	5,115	1,500	29.3%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.5: St. John

	All Households	Poor Households	
Average total income	$35,435	$9,963	
Average poverty gap	n.a	$7,944	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	31,300	9,900	31.6%
Unattached individuals	11,300	5,200	45.9%
Families	20,000	4,700	23.7%
Persons	70,800	19,200	27.1%
Females	37,500	11,100	29.5%
Males	33,300	8,100	24.1%
Vulnerable Groups			
Children (0-17)	15,700	5,400	34.5%
Lone-parent families	2,800	2,000	73.2%
Visible minorities	2,000	800	40.5%
Aboriginal identity	500	200	42.3%
With disability	11,100	4,400	39.6%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.6: Quebec

	All Households	Poor Households	
Average total income	$32,632	$10,493	
Average poverty gap	n.a	$8,739	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	87,700	37,200	42.4%
Unattached individuals	44,500	25,500	57.3%
Families	43,200	11,700	27.0%
Persons	163,000	56,500	34.7%
Females	85,900	31,200	36.4%
Males	77,100	25,300	32.8%
Vulnerable Groups			
Children (0-17)	27,300	9,300	34.2%
Lone-parent families	5,300	3,300	61.2%
Visible minorities	3,700	2,300	62.2%
Aboriginal identity	900	600	59.7%
With disability	13,900	8,100	58.4%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.7: Montreal

	All Households	Poor Households	
Average total income	$31,773	$10,561	
Average poverty gap	n.a	$9,715	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	507,300	234,000	46.1%
Unattached individuals	256,200	148,300	57.9%
Families	251,100	85,700	34.1%
Persons	988,300	407,300	41.2%
Females	511,500	216,700	42.4%
Males	476,800	190,600	40.0%
Vulnerable Groups			
Children (0-17)	179,500	87,600	48.8%
Lone-parent families	33,900	23,700	70.1%
Visible minorities	202,300	129,300	63.9%
Aboriginal identity	2,900	1,700	57.7%
With disability	83,900	47,400	56.5%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations)

TABLE B.8: Ottawa

	All Households	Poor Households	
Average total income	$45,558	$11,315	
Average poverty gap	n.a	$9,212	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	157,700	49,600	31.5%
Unattached individuals	76,600	31,800	41.6%
Families	81,100	17,800	22.0%
Persons	314,400	89,000	28.3%
Females	163,600	48,100	29.4%
Males	150,800	40,900	27.1%
Vulnerable Groups			
Children (0-17)	60,300	22,800	37.9%
Lone-parent families	9,800	5,900	59.8%
Visible minorities	59,500	31,800	53.4%
Aboriginal identity	3,300	1,700	51.2%
With disability	39,100	15,100	38.7%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.9: Toronto

	All Households	Poor Households	
Average total income	$49,689	$12,046	
Average poverty gap	n.a	$10,137	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	979,600	302,200	30.8%
Unattached individuals	365,600	152,500	41.7%
Families	614,000	149,700	24.4%
Persons	2,350,100	649,500	27.6%
Females	1,218,000	352,500	28.9%
Males	1,132,100	297,000	26.2%
Vulnerable Groups			
Children (0-17)	490,000	176,300	36.0%
Lone-parent families	64,900	40,500	62.5%
Visible minorities	877,000	357,300	40.7%
Aboriginal identity	9,200	4,000	43.2%
With disability	252,600	94,700	37.5%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.10: Hamilton

	All Households	Poor Households	
Average total income	$40,841	$12,243	
Average poverty gap	n.a	$8,964	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	136,200	45,200	33.2%
Unattached individuals	48,700	24,700	50.7%
Families	87,500	20,500	23.5%
Persons	317,500	87,500	27.6%
Females	163,700	48,900	29.9%
Males	153,800	38,600	25.1%
Vulnerable Groups			
Children (0-17)	71,100	24,200	34.0%
Lone-parent families	10,200	7,100	69.3%
Visible minorities	35,400	15,800	44.8%
Aboriginal identity	4,000	2,100	52.3%
With disability	46,200	18,600	40.3%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.11: Windsor

	All Households	Poor Households	
Average total income	$45,490	$10,321	
Average poverty gap	n.a	$7,672	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	83,600	20,300	24.3%
Unattached individuals	30,200	11,800	39.1%
Families	53,400	8,500	16.0%
Persons	194,600	38,200	19.6%
Females	100,200	21,900	21.8%
Males	94,400	16,300	17.3%
Vulnerable Groups			
Children (0-17)	43,500	10,900	25.0%
Lone-parent families	6,300	3,600	56.7%
Visible minorities	24,800	8,800	35.7%
Aboriginal identity	1,900	800	40.6%
With disability	26,600	7,800	29.5%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.12: Thunder Bay

	All Households	Poor Households	
Average total income	$47,581	$10,617	
Average poverty gap	n.a	$6,854	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	47,100	9,700	20.6%
Unattached individuals	15,600	5,900	37.6%
Families	31,500	3,800	12.1%
Persons	111,800	17,100	15.3%
Females	57,200	10,000	17.5%
Males	54,600	7,100	13.0%
Vulnerable Groups			
Children (0-17)	25,500	4,800	18.8%
Lone-parent families	3,200	1,900	57.3%
Visible minorities	2,600	500	18.8%
Aboriginal identity	6,200	2,900	47.8%
With disability	15,200	4,000	26.5%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.13: Winnipeg

	All Households	Poor Households	
Average total income	$42,417	$11,975	
Average poverty gap	n.a	$8,899	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	260,800	78,800	30.2%
Unattached individuals	95,100	46,600	49.1%
Families	165,700	32,200	19.4%
Persons	606,800	147,500	24.3%
Females	314,000	82,800	26.4%
Males	292,800	64,700	22.1%
Vulnerable Groups			
Children (0-17)	141,400	40,200	28.4%
Lone-parent families	17,100	10,700	62.6%
Visible minorities	72,300	23,300	32.2%
Aboriginal identity	41,300	25,900	62.7%
With disability	67,100	25,600	38.2%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.14: Regina

	All Households	Poor Households	
Average total income	$45,081	$10,056	
Average poverty gap	n.a	$7,856	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	75,200	17,300	23.0%
Unattached individuals	26,800	10,100	37.6%
Families	48,400	7,200	14.8%
Persons	177,600	32,500	18.3%
Females	91,600	18,000	19.7%
Males	86,000	14,500	16.8%
Vulnerable Groups			
Children (0-17)	45,700	10,000	21.9%
Lone-parent families	5,900	3,300	55.9%
Visible minorities	10,000	2,800	28.3%
Aboriginal identity	12,600	7,900	62.8%
With disability	18,300	5,300	28.8%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.15: Saskatoon

	All Households	Poor Households	
Average total income	$41,217	$9,842	
Average poverty gap	n.a	$8,021	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	82,600	23,400	28.3%
Unattached individuals	31,300	14,300	45.7%
Families	51,300	9,100	17.7%
Persons	190,600	43,500	22.8%
Females	98,500	24,500	24.9%
Males	92,100	19,000	20.6%
Vulnerable Groups			
Children (0-17)	49,100	13,200	26.9%
Lone-parent families	6,300	3,800	60.8%
Visible minorities	11,000	3,900	35.2%
Aboriginal identity	15,100	9,800	64.9%
With disability	20,600	6,700	32.7%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.16: Calgary

	All Households	Poor Households	
Average total income	$50,807	$12,114	
Average poverty gap	n.a	$9,113	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	317,300	80,400	25.3%
Unattached individuals	112,400	47,000	41.8%
Families	204,900	33,400	16.3%
Persons	760,200	156,400	20.6%
Females	381,900	83,600	21.9%
Males	378,400	72,800	19.2%
Vulnerable Groups			
Children (0-17)	187,000	42,800	22.9%
Lone-parent families	18,000	9,000	50.0%
Visible minorities	125,600	40,000	31.8%
Aboriginal identity	13,800	7,000	50.6%
With disability	69,100	23,400	33.8%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.17: Edmonton

	All Households	Poor Households	
Average total income	$43,228	$12,079	
Average poverty gap	n.a	$9,323	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	259,300	79,700	30.7%
Unattached individuals	95,900	44,900	46.8%
Families	163,400	34,800	21.3%
Persons	606,600	158,000	26.0%
Females	308,800	86,400	28.0%
Males	297,800	71,600	24.0%
Vulnerable Groups			
Children (0-17)	145,700	44,700	30.7%
Lone-parent families	18,100	11,000	60.8%
Visible minorities	109,900	38,400	34.9%
Aboriginal identity	24,100	14,800	61.6%
With disability	67,600	26,300	38.9%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.18: Vancouver

	All Households	Poor Households	
Average total income	$42,086	$10,679	
Average poverty gap	n.a	$9,518	
Characteristic	**Number of Households**	**Number of Poor Households**	**Poverty Rate**
All Households	249,700	91,100	36.5%
Unattached individuals	132,600	62,300	47.0%
Families	117,100	28,800	24.6%
Persons	506,200	156,800	31.0%
Females	256,700	80,300	31.3%
Males	249,500	76,500	30.7%
Vulnerable Groups			
Children (0-17)	84,600	29,800	35.3%
Lone-parent families	10,600	6,400	59.9%
Visible minorities	227,000	79,200	34.9%
Aboriginal identity	10,300	6,800	66.1%
With disability	52,600	24,100	45.7%

Note: n.a. = data not available.
Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).

TABLE B.19: Victoria

	All Households	Poor Households
Average total income	$34,055	$9,198
Average poverty gap	n.a	$6,683

Characteristic	Number of Households	Number of Poor Households	Poverty Rate
All Households	43,400	13,000	30.0%
Unattached individuals	26,200	10,300	39.3%
Families	17,200	2,700	15.8%
Persons	70,500	17,700	25.1%
Females	37,800	9,900	26.2%
Males	32,700	7,800	23.9%
Vulnerable Groups			
Children (0-17)	9,300	2,900	30.8%
Lone-parent families	2,400	1,200	51.3%
Visible minorities	6,000	1,900	32.2%
Aboriginal identity	1,800	900	51.1%
With disability	11,100	3,900	35.4%

Note: n.a. = data not available.

Source: Tabulations by the authors based on Statistics Canada's 1996 Census (custom tabulations).